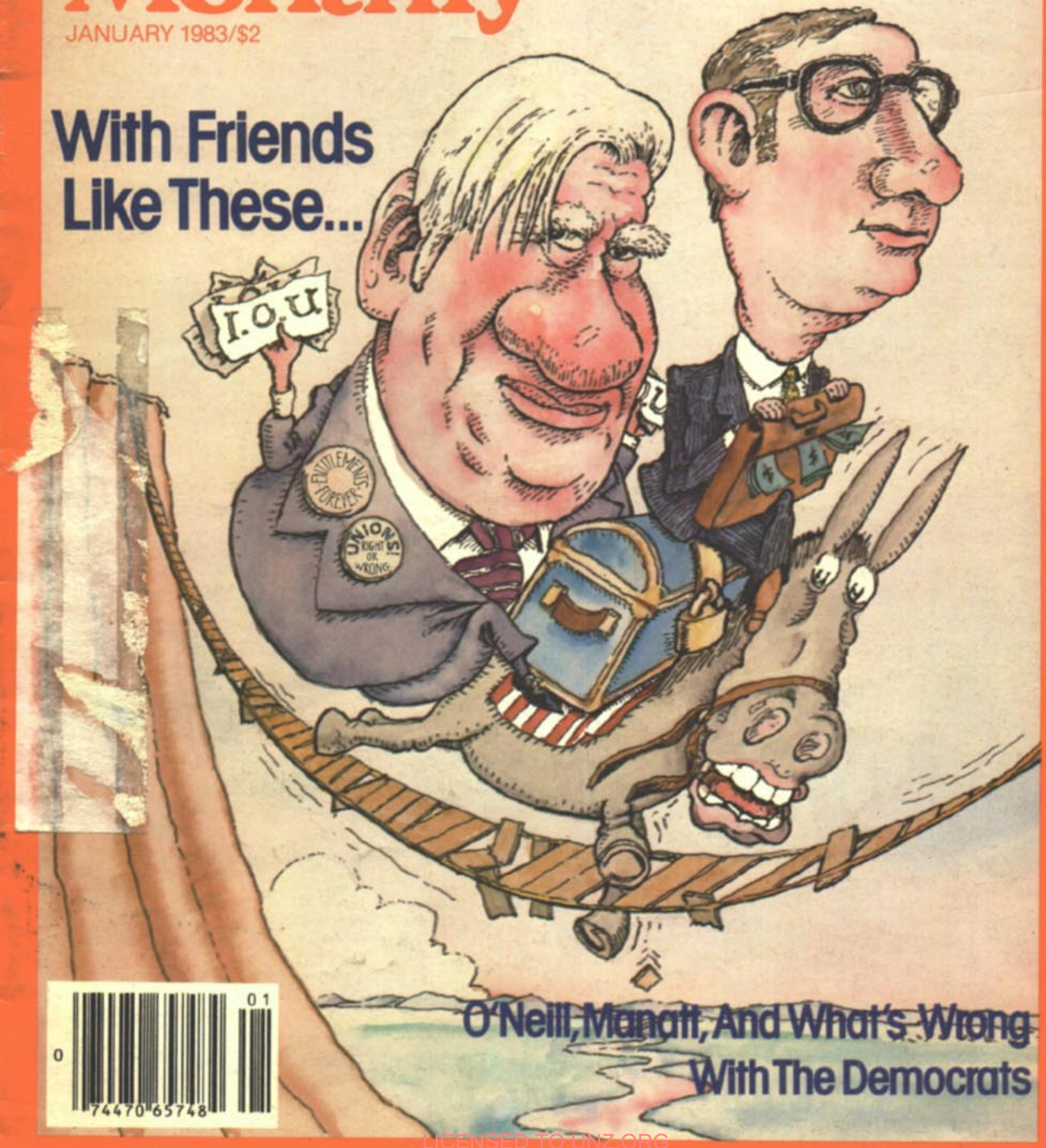
Paul Warnke On The Next War

Washington Monthly

JANUARY 1983/$2

With Friends Like These...



O'Neill, Manatt, And What's Wrong With The Democrats

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LETTERS

The Young and the Gray

Congratulations to Phillip Longman for his article, "Taking America to the Cleaners," in the November issue. I endorse almost all he said.

I should point out that I am 68 and living high on the hog. I have a full-time job; collect two taxable pensions, one a military pension that is indexed to the cost of living; am entitled to a third but small taxable pension which I have deferred for a year; and will retire next year and start receiving another pension and, of course, Social Security, which I consider more a welfare transfer payment than a true pension. (My wife retired last year and receives a taxable pension and Social Security.) When I retire next year, our annual so-called fixed pension income will exceed $45,000, of which $15,000 will be *tax-free* Social Security.

In my opinion, Social Security, which is not a true pension, ought at least to be taxed in the same manner as true pensions—that is, as soon as one's initial contributions to the plan, on which income taxes have been paid, have been returned, everything thereafter is fully taxable as income.

GEORGE D. BRADEN
Albany, New York

Phillip Longman raises questions which are urgent and which require practical and equitable solutions.

I would like to point out, though, that rarely are corporate pensions indexed as he infers. My husband retired five years ago. The value of his pension has been reduced by 50 percent since then. People who retired ten or 15 years ago are even worse off. Increases in Social Security have not offset this drop in value. In fact, Medicare benefits have been cut to a degree that outdistances the cost-of-living increases granted to Social Security recipients.

The social climate into which Mr. Longman was born has made him a beneficiary of our struggles. He is now complaining, when it is his turn to make some input into our way of life, to make some personal sacrifices for the good of all.

MARGARET ELLIOT
San Jose, California

In Phillip Longman's contrived scenario, old people are guilty of: 1) being too prosperous; 2) borrowing too much money; 3) living beyond their means; 4) building and buying too many homes; and 5) letting our cities decay, our factories become obsolete and our industries become non-competitive. Worst of all, says Longman, the old taught the young to expect automatic affluence, quickly achieved through well-paying but non-productive jobs.

Old people per se did none of these things, of course. Today's problems may well have been caused in part by thoughtless or greedy Americans of all ages. These would include some of those 30-to-50 years old that Longman relieves of any responsibility, though they have played a major role in determining where we are now. They would certainly include the young MBAs and middle-aged CEOs who joined forces to plot corporate mergers, rather than plan product innovations, or how to improve productive efficiency. But our present problems also stem, in part, from faulty demographic projections that cannot be blamed on any age group.

There are millions of older Americans who have never lived beyond their means, never bought a home they couldn't afford or had a guaranteed VA or FHA mortgage, and rarely if ever received any form of transfer payment, even when entitled to one. Their pensions, if they have them and many don't, are not indexed to inflation. If they prospered enough, and relatively few have, they could give their children a costly education and, later perhaps, even help them to buy or rent a home, as many of them are doing now. But, as children of the Depression themselves, the old never taught their young that prosperity was automatic; quite the reverse as their children will tell you.

Old people do have a contract with their government. It is called Social Security and—Longman's semantic games aside—the government defined it as insurance. It was Social Security, combined with private endowment policies the old maintained at great cost, that was supposed to insure security in old age. Despite the inadequacy of that assurance, Social Security has been effective. Indeed, if every dollar today's 65-to-70 year olds and their employers set aside for Social Security were compounded at the interest rates then prevalent, it would take a lot longer than Longman's 19-month estimate to pay back to recipients only what they had earned.

Some of them will not live long enough to receive that much. And most of those that do know that, if Social Security is a victim of bad planning and unforseen changes in inflation and demographics, every age group must cooperate in solving the problem. For the old that means accepting a more realistic indexing keyed to wages rather than the CPI, and an income cap beyond which truly wealthy oldsters will not receive benefits. Beyond that, the practice of "double dipping" that your magazine has documented so well must be eliminated.

These are reasonable first steps toward resolving the problem—steps that a majority of the old and most other citizens would find just and fair.

DONAL DINWIDDIE
Altavista, Virginia

"Taking America to the Cleaners" has some good points, but Phillip Longman misses the real fraud in the "entitlement" scam by concentrating on the elderly. None of the categories you might think of are

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necessarily synonymous with "needy," and yet our government gives out "entitlements" to people according to category, not need.

Let me give an example: I was recently one of the people who was passing out government cheese to the "needy." One elderly woman in a shabby cloth coat found out that her brother was part of her "household," since she and her husband took care of him. (Only one block of cheese per household, folks.) The welfare mothers, on the other hand, got two blocks of cheese because their boyfriends were officially living in other "households." But the real pain was the rich elderly who insisted that we give them a better quality of cheese. (In case you're wondering how we knew they were rich, they insisted on parking their Cadillacs in the loading zone, even after we told them they were blocking the vans from the nursing homes.)

While Grandma's partly to blame for this mess, it isn't all her fault; she's just going along with the scam.

DON SCHENK
Allentown, Pennsylvania

Congratulations to Phillip Longman for his article on the transfer of wealth from the young to the old in this country. While much of this transferred wealth has been and will continue to be recirculated through the economy as a result of higher (and often unproductive) current consumption patterns among the elderly, much could remain after they are deceased. Unfortunately, when these remaining assets are transferred to the succeeding generation, the wealth will go to specific heirs and not the populace as a whole.

A possible solution to the problem would be to assess all estates for the difference between the total benefits which the federal government has paid to the deceased and that amount which he has contributed to various programs such as social security and medicare.

Since in general the wealthier the parent the wealthier the offspring, unless some such reimbursement system is implemented to correct the unfair and ongoing transfer of wealth between generations, our society will continue to unduly penalize the younger generation and, even worse, will skew that penalty so that it falls predominantly on the poor of the younger generation.

KIM G. DAVIS
New York, New York

The Testing Racket

If anything, Jim Vopat ["The Guilty Secrets of an ETS Grader," November] understates the chicanery and utter silliness of the whole Advanced Placement program. I speak from experience.

I took the AP English exam when I was 17, two years ago. I wrote the essay on *Anna Karenina* because I loved the Greta Garbo movie. I received a "5" on the exam (the highest grade possible). I have yet to read the novel. I've been meaning to. . . .

I was asked by my instructor to withdraw from the AP history class in my high school because I wasn't taking the class "seriously enough." Evidently my levity was in order. I got a "5" on that exam, too.

I took the European history test without any preparation whatsoever, along with a classmate, as a joke. We received "4"s.

The thing I found most objectionable about the AP program is the snobbery and elitism that it is inevitably associated with. We were constantly told by our history teacher how much harder we worked than our less intellectually brilliant compatriots. Most of the people in AP classes have an arrrogance engendered in them that will take years to wear off, if ever.

HOPE J. LEMAN
Corvallis, Oregon

Jim Vopat presents an excellent evaluation of the Educational Testing Service's Advanced Placement program and then claims that the defective AP program will continue to be used since it can allow students to save thousands of dollars in tuition by skipping their freshman year of college.

In fact, there are at least a few good and excellent colleges that will not even consider AP credits. The College of the University of Chicago administers its own advanced placement tests to freshmen in the College during their first week of school. Students are required to take English if they do not pass the College's own test, as well as the College common core of a year of biology, one of physics, one of mathematics, one of social science and one of humanities. Both of the St. John's Colleges influenced by the "Great Books" approach, one in Maryland and one in New Mexico, require all students to complete essentially the same program, with no advanced placement given except to those students who are already fluent in St. John's two required languages, French and classical Greek.

BRUCE MAJORS
Washington, D.C.

Erring on Enders?

Mr. Keisling erred when he wrote, in your November issue ["The Tallest Gun in Foggy Bottom"], that Thomas Enders, now Assistant Secretary of State for Inter-American Affairs, suppressed a report of mine on the rigging of Lon Nol's election as president of Cambodia in June 1972. Mr. Enders had no power to do this, since he was only deputy chief of mission at the time. Such a decision would have had to be made by the ambassador. Furthermore on another occasion Mr. Enders persuaded the ambassador to permit the forwarding to Washington, as my own "personal view," another report documenting the deterioration of support for Lon Nol.

In our constitutional system the name of the game is to win the very frequent elections. An incumbent president and his staff have a strong motive for dis-

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Do you know enough about state government?

Take a minute and test yourself.

1. **When was the first federally enacted Revenue Sharing program?**
2. **How many women ran for state legislative office in 1980?**
3. **How are interstate compacts used to deal with common problems?**
4. **What is The Council of State Governments?**

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ANSWERS

1. In 1972, with passage of the State and Local Fiscal Assistance Act (P.L. 92-512). This program was reauthorized in 1976 and 1980. The current act, as amended, will expire in September 1983.
2. In 1980, 1,534 women were major party candidates for state legislatures. In 1981 women represented 7 percent of all state senators (138 out of 1,981) and 14 percent of state house and assembly members (770 out of 5,501).
3. Interstate compacts represent a level of government, between federal and state, created to address specific problems. During the last two years (1980 and 1981) five new compacts have surfaced with major revisions possible in two others dealing with such diverse problems as planning in the Lake Tahoe region, low-level radioactive waste management, and drivers' licensing. Legally, such compacts are without analogy and take precedence over conflicting statutes in a compact state.
4. The Council of State Governments, organized in 1933 by Colorado state senator Henry W. Toll, is a non-profit, state-supported and directed research and service organization of all 50 states and the territories. For 50 years the mission of the Council has remained firm—to strengthen the operations of the states and their roles in the American federal system.

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couraging reports from embassies which may cost them votes when the press has a constitutionally protected right to obtain such reports improperly and to publish them. You may recall that another president was running for office in 1972. If the Americans are discontented with the execution of U.S. foreign policy, let them amend their Constitution.

WILLIAM N. HARBEN
Alexandria, Virginia

William Harben is a retired foreign service officer.

Phil Keisling replies:

I never accused Mr. Enders of "suppressing" the report; rather, I said he rejected its conclusions and hailed the election as a step forward for Cambodian democracy.

One Year Later

You will recall your article last January ["The Best and the Worst of the U.S. Senate"] in which you wrote a profile of me which included the following paragraph:

"Moynihan's mercurial temperament rarely serves him well. One day a couple of years ago he found the Senate elevator broken while en route to a vote and stood screaming, 'Help me! Help me!' at the top of his prodigious lungs until Capitol police, fearing a terrorist attack, hustled him out of the building and finally over to the floor in a squad car."

With things settled down here at last I have a moment to tell you that this is an absolute untruth. I don't doubt that someone told it to you, but it is even so an untruth and a malicious one.

Mind, I do not automatically assume that you will agree with me. But absent such agreement, I would expect you to offer your evidence and, I repeat, there is none.

DANIEL PATRICK MOYNIHAN
U.S. Senator

The editors reply:

Senator Moynihan can be forgiven for an occasional memory lapse; we all have them, or remember things differently from one another. Nonetheless, the source stands by the story, and so do we.

YOU CAN HELP

Sometimes it's easy to forget how much **The Washington Monthly** depends on its readers. Our Memos of the Month come almost entirely from you. Clippings from local papers mailed to us inspire many of the items in Tidbits and Outrages and Tilting at Windmills. Readers also help us in countless other ways, calling with tips for stories, giving their friends subscriptions, or just making sure we're on the shelves of their local newsstands, bookstores, and libraries.

If you happen to live in the Washington area you may be able to volunteer at the office. Just drop us a note telling us the kind of work you're interested in, your experience, and the days and hours you're available.

The Washington Monthly

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January 1983

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TILTING AT WINDMILLS

A perfect example of the artful put down that Alex Heard complained about in these pages a few months ago was furnished by Alexander Cockburn in his column in the *Village Voice*. Cockburn was upset that William Greider had written a favorable column in *Rolling Stone* about Senator Ernest Hollings, in which Greider called Hollings "the thinking man's dark horse for '84." Cockburn's comment was, "the only horse Hollings resembles is the beast hauling a hearse to the cemetery." He went on to say, "snuggling down in the ideological sack with Hollings would be like sleeping with a dead policeman or a wet umbrella."

Nowhere in Cockburn's column was there a word of analysis about what is wrong with Hollings, just the clever put down. Hollings is no fool and neither is Greider. In fact, Greider is one of the best reporters in Washington. Cockburn is the fool for not taking him seriously and an arrogant one for not even attempting to explain why he doesn't. . . .

When an undercover policeman in Wilmington, Delaware, purchased drugs from Andrea Hernandez, she gave him a telephone number in case he might want to buy again. It turned out, according to Merritt Wallick of the *Wilmington Morning News*, to be the number of her desk phone at the county Department of Community Development and Housing.

The county department was definitely not into the kind of community development the late Saul Alinsky had in mind. Eleven percent of its employees were involved in the drug ring. One of the accused indignantly protested that his fellow employees nicknamed him "the pimp" simply because he drove a big, fancy car, although he did admit offering female fellow employees money to provide sex to friends at his Christmas party. Another employee who allegedly admitted selling amphetamines has been returned to the county payroll.

"Unions representing six other county employees who were fired contend that the county overreacted and are helping them in their battle for reinstatement," reports Wallick. . . .

Anyone who knows Washington knows that the staff on Capitol Hill is generally of higher quality than the staff in the bureaucracy. One reason for this is that congressmen can hire and fire at will. They don't have to keep anyone who is not doing a good job. Another reason is that they are free to reward performance. They can pay what they want within the budget that they are allowed by Congress. So you have administrative assistants who earn anywhere from $21,000 to $58,000. In the executive branch, of course, firing is practically impossible and the salary structures are much more rigid. . . .

You may have noticed that CBS News is illustrating its stories about government policies and national problems with specific examples at the local level around the country instead of generalities from Washington. This helps remedy a long-time failure of the press in reporting all federal government stories from Washington and not connecting what happens in Washington with the rest of the country. . . .

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If you had thought that David Stockman was cold and inhuman, think again. While he was recommending cuts in the budget of almost every federal agency, he was maintaining full funding for the agriculture extension service. His mother works there. . . .

Speaking of David Stockman, did you know how his agency, the Office of Management and Budget, has gotten into the spirit of austerity? Faced with figuring out how to trim its own budget, the OMB got rid of its regular building security guards, the kind that every other department has and which were paid for out of OMB's budget. Instead they got the Secret Service, which costs a lot more but is paid for by the Treasury Department. . . .

I guess what concerns me most about the current unemployment in the country is the lack of determination and imagination that both Democrats and Republicans are showing in dealing with it. If supply side economics doesn't work, why don't we try consumer side economics? Let's rescind the tax cuts we have already given to the wealthy, eliminate the cut that is scheduled to come into effect on July 1, and give the money saved to people who will spend it—the poor. This will not increase the federal deficit. All we are going to do is take the money that we were planning to give to the rich and give it to the poor. The net cost will be zero.

There are several ways to get the money to the poor. One is to give the states the funds to increase welfare payments immediately. Unlike many social programs, welfare does have a means test. The poor are the ones who get it. So when you add money to welfare you are going to give it to people who need it and are very likely to spend what they are given, because welfare almost never gives them enough.

Another way to deal with the problem is to take a page from the 1930s when lenders were afraid to give home buyers mortgage loans because there had been such a high rate of default on mortgages during the depression. With mortgages being foreclosed right and left, lenders were naturally hesitant to take a risk on new home buyers. Well, that's when the federal programs began to recognize the need to insure the mortgage so that the lender would know that he would be paid. Why not apply the insurance principle to the purchase of any new American product? What that would mean is that neither the buyer nor the lender would have to fear the possibility that the buyer would not be able to pay.

Reassuring the buyer is important because, while in the '30s it was the lender who feared he couldn't be paid back, today the problem is that the buyer is scared that he won't be able to pay. The buyer is afraid of taking out the loan because he is afraid of being laid off, afraid of losing his job and not being able to repay the loan. What we should do is say to the buyer, "The government will pay if you can't." To get the insurance, the buyer should pay a small fee when he makes the purchase so that he won't use the guarantee for minor or frivolous purchases. He should also sign an agreement that, if he fails to pay, the government can deduct tax payments from his future income at a reasonable and affordable rate.

All this would add virtually nothing to the national deficit and could, as a short-term emergency measure, give us the stimulus we need. Maybe you have a better idea. Let's hear about it. The point is we all should stop wringing our hands and start thinking of solutions. . . .

"There's a real kindergarten crunch," Gladys Stern of Georgetown Day School told *The Washington Post*'s Stephanie Mansfield. "There seems to be a great push now for parents to get them in at four rather than five."

Probably the most sought-after kindergarten in Washington is Beauvoir, which is the elementary school that leads on to St. Albans School for Boys and National Cathedral School for Girls, which in turn have proven reliable tickets to the Ivy League. One mother told Mansfield that she was withdrawing her five-year-old from a Montessori school to send her to Beauvoir: "If you don't get your kid into kindergarten, your chances are very slight of getting him in later on. I did it grudgingly. He was doing so well at the Montessori. It was a big conflict." During a lunch some months ago a prominent liberal television personality confided to me that one cause of his financial problem was the bill from Beauvoir. He said his wife was convinced that it was the only way to make sure

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their child got started on the fast track . . . .

Leg warmers are clearly the most unattractive development in women's fashion since the shoulder bag. This droopy-socks look is, as it turns out, totally unnecessary except for the few professional dancers or athletes whose muscles are exposed to repeated warming and cooling during the day. But for people who exercise just an hour or so, they are not needed. I suspect the whole thing was inspired by the photograph on the cover of Jane Fonda's exercise book . . . .

Robert Nimmo, the former head of the Veterans Administration, has come in for a good deal of criticism in this magazine, but I want to congratulate him for standing up on the issue of paying benefits to veterans who don't deserve them. "Our ability to rehabilitate people and get them back in employable status has changed enormously and yet we are paying out millions of dollars in continuing disability payments for such things as sinusitis, hemorrhoids, and hysterectomies that are not disabling," he said recently. "Even though the problem has been taken care of and people are back at work, they are continuing to draw disability. There are lists of literally dozens of conditions of that sort where we are continuing to pay disability based on a presumption that the person is x-percent unemployable when in fact he is working.". . . .

Those of you who recall Gregg Easterbrook's article about the sliver strategy realize that its essence is the politician or corporation wise enough not to be excessively greedy in the strategies they employ to take the rest of us to the cleaners. By taking only a modest sum they hope to avoid blatant illegality or the notice of the press. A perfect example is what the American banks do with what is called "the float." That's what happens to your check between the time you deposit it and the bank actually credits it to your account. Part of that time is taken up with the bank clearing your check through the bank upon which it had originally been written. That is legitimate. They have to find out if the check was a good check. But part of that time, sometimes up to 20 business days, is not legitimate. And by not crediting your account with that check, banks are earning several billion dollars a year. But when you view it as a part of the lost interest on your $100 check, the sum is so tiny that you don't protest. It's not worth it. . . .

During the past decade, according to William Knaus of George Washington University Medical Center, infant mortality in Russia has increased from 23 deaths in every 1,000 births to nearly 40 and life expectancy in men has fallen from 66 to 62. In an article written for *The Washington Post*, Knaus quotes Yevgeny Chazov, deputy minister of health for the U.S.S.R., as saying "the money being spent today on missiles, submarines, and aircraft could do much good for the health of the people of the world." Chazov wasn't willing to single out Russia for blame but I find it hopeful that he went this far and that he was permitted to do so on Soviet television.

I may be excessively optimistic but I can't help but believe that the American and Russian people will soon realize the insanity of the arms race and the cruel distortions it is producing in the lives of both nations. In the long run, I join my old friend Silas Pickering in fearing the Russians less than I do the bomb in the hands of a Quaddafi or a Khomeini or an Idi Amin. . . .

Here, as described by *The Washington Post*'s Ed Bruske is the latest triumph of our criminal justice system:

"A D.C. Superior Court judge presiding over the trial of a man accused of taking indecent liberties with a minor, declared a mistrial yesterday and dismissed the jury because, he said, a television news show that morning had broadcast a program on sex offenders that contained similarities to the case in his court.

"Judge Paul F. McArdle made the ruling after rejecting suggestions from both the defense and prosecution that the jurors be polled to find out if any had watched the program. . . According to sources close to the case, jurors on Wednesday heard testimony from the girl, now 12 years old, as she haltingly gave a detailed account of how she was allegedly assaulted.

"Sources close to the prosecutors in the case said that although it is scheduled to be retried within two months, the girl might be reluctant to relate her story again, and the case would end if she did not testify.

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"McArdle said he does not watch morning television and had not seen the program, but heard it described to him by someone else. Reached at his home last night, McArdle declined to discuss the incident. 'Don't call judges,' he said." . . . .

Our forefathers certainly had the right ideas about lawyers. In 1641, the Massachusetts Bay Colony enacted a law that provided that no man could take money for representing another in court. In Virginia in 1658, all lawyers were ordered out of the colony . . . .

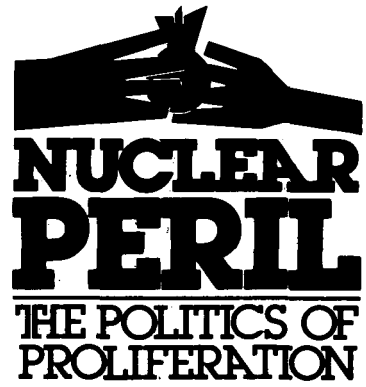
Most American workers must pay into Social Security for at least ten years to become eligible for Medicare. But not federal employees. Congress last year provided that federal employees should begin this month paying 1.3 percent of their salary to cover the Medicare portion of Social Security. In return, their federal service time will be credited toward Medicare eligibility. Congress left it to the health care and financing administration, an arm of the Department of Health and Human Services, to determine just how long the federal employees would have to work and pay the tax to qualify for full Medicare benefits.

Now remember that the employees of the health care and financing administration are federal employees. So what did they decide was the amount of time an employee would have to work to qualify? One day. . . .

If those spies out in the cold don't live very high on the hog, their superiors do manage to do quite nicely for themselves. The tone was set early in World War II. We learn from Anthony Cave Brown's forthcoming biography of Wild Bill Donovan that Donovan, the first head of the OSS, went to London where he proceeded immediately to register at Claridge's. Brown also relates that when William Stevenson, code named Intrepid, came to New York to head the British Secret Service in America he checked in at the St. Regis. . . .

A classic device of government contractors is to win a contract on the basis of low cost estimates and then change the price after the contract is in hand, the work under way, and the government reluctant to risk the delay involved in changing horses. One Army contractor estimated his monthly charges at $10,000 and then billed the Pentagon $1.3 million for the first month. But Pratt & Whitney may be the champion of them all. It first estimated the cost of an engine part at $16, then, according to *The Washington Post*'s Pete Earley, "repriced" it to $3,033.82. . . .

I bet you never heard of Hugh Harman, who died last month. He was a cartoonist and a comic genius, the creator of "Looney Tunes" and "Merrie Melodies"—you'll remember their stars included Porky Pig and Bugs Bunny—and of the first "Tom and Jerry" cartoon at MGM. He began his career as part of the first team of animators to work with Walt Disney, who,



CONGRESSMAN ED MARKEY

Markey was a key figure in the battle to stop shipment of 38 tons of bomb gradable uranium to India's Tarapur reactor—a battle lost by only two Congressional votes. In this book he vividly describes the fight, raising serious questions about our foreign policy decision-making. In particular, he explodes the myth that supplying nuclear materials is not the same as spreading nuclear weapons.

"The Markey message drives home the utter futility of the nuclear arms race."—From the Foreword by **SENATOR EDWARD M. KENNEDY**

"A compelling and articulate argument about the growing nuclear threat and what should be done about [it]."
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of course, became world famous. But it seemed to me that, after Harman left Disney to go on to Warner's and MGM, his work was consistently funnier than the master's. . . .

Senator David Pryor has introduced a bill that deserves your support. It would create within the Department of Defense an independent Office of Operational Testing, which would protect us from having expensive weapons rushed into production without adequate testing. Pryor cited, as examples of disasters that could have been prevented by independent testing, the M-16 rifles, which were considered so defective that Viet Cong soldiers refused to even pick them up when they were abandoned on the battlefield. Pryor also cited the M-1 tank which, he says, will be an effective weapon "only if used on interstate highways."

The sad fact is that his list could go on and on to include such other losers as the Pershing II and Maverick missiles, the F-18 fighter—recent Navy tests have shown it to have, according to the *Washington Times*, "serious range, weight, and safety problems"—and the Divad anti-aircraft weapon so devastatingly described by Gregg Easterbrook in the October *Atlantic*. . . .

Easterbrook's article, along with Joseph Nocera's in the October *Texas Monthly* on T. Boone Pickens's merger attempt, presented a real problem for us in giving the Monthly Journalism Award for October. Both articles were superb. But both were by alumni of this magazine, an ever-increasing group of people who naturally tend to produce the kind of articles that we admire. Since the purpose of the award is to encourage other journalists to write that kind of article, it seems self-defeating to give the award to a member of our own family. To those who will complain that this decision is blatantly inconsistent with our having given the Annual Book Award to James Fallows for *National Defense* last year, we plead *nolo contendere*. . . .

As for the Fallows book, have you noticed the explosion of high-quality reporting about national defense in the past year or so? Scarcely a day goes by without the appearance of another newspaper or magazine article that goes into a defense issue in depth with fresh reporting and analysis. Five years ago you could find hardly any articles of this kind. I think a lot of the credit for the change belongs to Fallows, whose book served as an example and an inspiration to his fellow journalists.

We are proud of the work of Fallows and Easterbrook and Nocera and the other *Washington Monthly* alumni who have gone on to join the staffs on many leading publications. The kind of article they write—fact-finding and analysis combining an empathetic insider's appreciation of how events are shaped by the interaction of the character of the participants with the attitudes, values, rituals, and pressures of the institutions in which they work—was rare indeed when *The Washington Monthly* was founded. Such articles aren't at all rare today thanks to their influence and that of the large movement of which they have been a part and in which Theodore White, David Halberstam, and Tom Wolfe have been the most prominent forces. . . .

Another problem with this month's award is the unfortunate appearance created by giving it to giants like *Time* and *Newsweek*. Do we give the award only to big shots? Far from it. Major publications have won it but a lot of times the winner has been a publication that is neither large nor widely known, but whose reporters show the same understanding of political events and institutions.

Here's the list of past winners: *Seattle Post-Intelligencer*; *The Washington Post*; *The New Republic*; *The Chicago Lawyer*; *Fortune*; *National Journal*; *Times Leader* (Wilkes-Barre, Pennsylvania); *Reason*; *Clinton* (Connecticut) *Enquirer*; *Tulsa Tribune*; *Lexington* (Kentucky) *Herald-Leader*; United Press International; *Valley Advocate* (Springfield, Massachusetts); *Science '82*; *The Atlantic*; *Miami Herald*; *The New York Times*; *Los Angeles Times*; *Illinois Issues*; *Sentinel Star* (Orlando, Florida); *Baltimore Sun*; *The Weekly* (Seattle); *Daily Press* (Newport News, Virginia). It should be noted that *The Washington Post*, so often maligned in these pages, has won the award five times, more than any other publication. . . .

Just so you'll understand how those cost-of-living increases have worked for people who retire from the federal government, when Carl Albert retired in 1976 as speaker of the House, he was paid $65,000 a year. His initial pension was $51,000. With the cost-of-living adjustments, it is

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now more than $85,000 a year. In other words he is being paid $20,000 more for doing nothing than he was being paid for acting as speaker of the House of Representatives. . . .

In Palo Alto, California, a detective named Fred Porras had been stalking a man called the "want-ad rapist" for more than two years. The rapist, using want-ads to lure his victims, committed at least ten vicious sex-related crimes in the San Francisco Bay area between February and November of 1980. Porras, who had been working on the case from the beginning, learned of a suspect's arrest in New Hampshire last year. He asked the police department to pay for his fare to interview the suspect, but the department refused. Porras paid his own fare and it turned out that the suspect was the man the Palo Alto police had been looking for. What was Porras's reward when he returned? A letter of reprimand and a two-day suspension for making an unauthorized trip. . . .

I hope my fellow neo-liberals will reject the label "Atari Democrat." It falsely suggests that we rely exclusively on high-tech answers to our economic problems. Our real concern is with economic growth as an essential condition of economic justice. Justice is the end and growth the means of which high-tech is an important—but far from the only—ingredient. Our pursuit of economic justice and our rejection of today's politics of selfishness are rooted in the liberalism of the thirties. Robert McElvaine saw this contrast as he was working on his forthcoming book, *Down and Out: Letters from the 'Forgotten Man' in the Great Depression*:

"A comparison of the beliefs of the 'average' citizen during the Great Depression with those of his counterpart today—of the Joads with the Joneses—yields some striking contrasts. All complaints about our present economic situation notwithstanding, the bulk of our people are now far better off, materially speaking, than were their forerunners in the 1930s. Yet people today seem much less willing to share with others. Words that Walter Cary, an English essayist, used in 1627 perfectly describe the difference between America of the 1930s and of the 1980s: 'We use our Much ill, and they used their Little well.' . . . .

"In letters that 'ordinary' Americans wrote during the 1930s, the overwhelming emphasis was upon themes of fairness and the necessity of justice. 'We are Poor People,' a group of Maryland WPA workers wrote to President Franklin D. Roosevelt in 1936, 'but we are human. We wish to be treated that way.' They went on to say, 'We feel you'll give us justice.' Similar sentiments were echoed in thousands of Depression-era letters. 'I knows and think that you feels our care and means right,' an anonymous correspondent wrote to F.D.R. in 1935, 'and you will do what is right if you knows the suffering of the people.' . . . .

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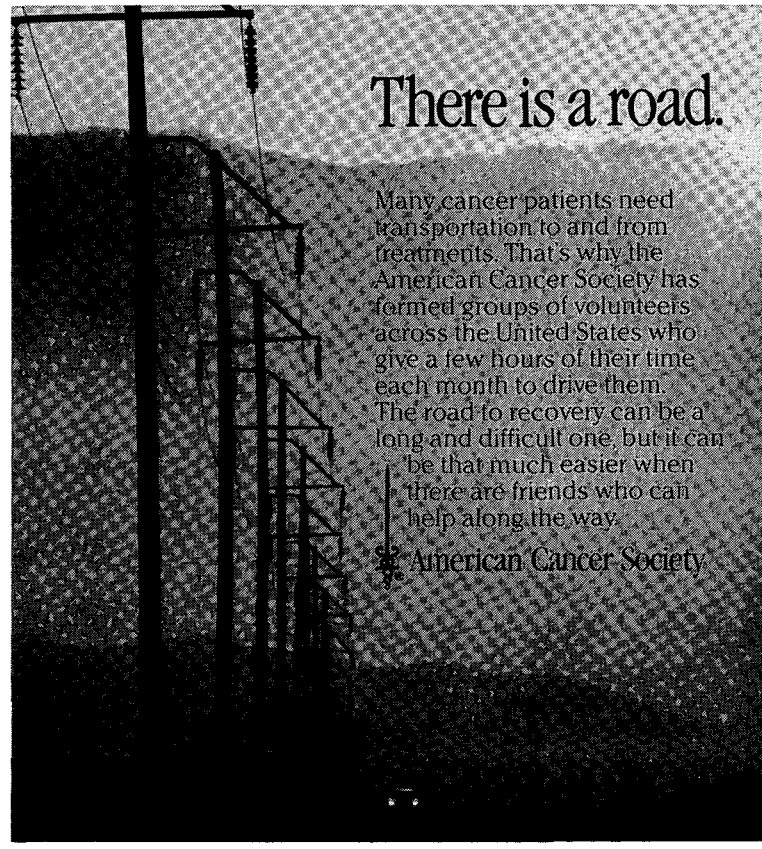

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WITH FRIENDS LIKE THESE...

O'Neill, Manatt, And What's Wrong With The Democrat

By Jonathan Alter

Chris Matthews, an important assistant to Tip O'Neill, was taking the offensive in my interview. "What kind of comparison is that?" he charged, when I told him I was writing about Charles Manatt and Tip O'Neill. "Manatt—he's just a rich banking lawyer from Los Angeles. Couldn't be any more different than the Speaker."

Matthews admitted he wasn't entirely accurate. Both, after all, are Democrats, and both sharply attack Ronald Reagan on a regular basis. But the dissimilarities are obvious enough: Manatt, nuts and bolts chairman of the Democratic National Committee, less a party spokesman than a fund-raising technician whose slick California organizational abilities are supposed to help take the Democratic Party off the ropes; O'Neill, the old-shoe pol, torch-bearer for the New Deal, apostle of the age of constituency-group politics.

What interested me more was the symbolic value of the two men. In many ways, their respective careers and values say a lot more about the state of the Democratic Party than those of a half dozen presidential candidates. The two strains of Democrat they symbolize do not necessarily clash on ideological issues, nor, certainly, on how to make use of the political system. They do, however, differ in what might be called a cultural way. More important, these two kinds of Democrat—the "Malibu liberal" (limousine liberal is too strong), and the old cover-your-constituencies liberal—each represent a little of what the Democratic Party needs as it looks beyond the Reagan disaster, and a lot of what it must avoid.

MANATT'S METRONOME

There is general agreement among active Democrats that Chuck Manatt, the first man ever to launch a coast-to-coast campaign to head the DNC (he spent nearly $100,000 on it), has done a credible job in his nearly two years as chairman. The party looked like Krakatoa East of Java after Carter's 1980 defeat. The Democrats had been out-financed and out-organized at every turn. In February of 1981, the DNC's direct mail list

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Photo: The Philadelphia Inquirer/Clem Murray

consisted of a laughable 20,000 to 25,000 once-a-year-givers; the Republican list was 1.3 million, which meant that the average size of each gift to the Republicans was much less than that given the Democrats. This created the impression that the Democrats were the party of fat cats.

Worse, on Capitol Hill, *all* of the Republicans who took their seats in the 97th Congress could say they received some campaign help from the Republican National Committee, and *none* of the Democrats could say the same thing about the DNC. The consequences of this development have been profound but often overlooked. One important reason Carter didn't get his way with Congress and Reagan (at least in his first year) did, is that Democrats were free agents and Republicans had been lashed to their party. Breaking with Reagan on his 1981 budget proposals would have meant losing lots of money and help from the RNC. This was one reason no Republicans did so, regardless of how liberal they were. The Democrats couldn't say the same.

With a lot of help from Reagan and Paul Volcker, Manatt has made some progress in rebuilding the party. Direct mail lists have grown nine-fold to 220,000—still only a seventh of the Republicans, but growing fast. Manatt has started a strategy council to get elected officials together to think about the party—a welcome innovation. The new business and labor councils have raised lots of cash, even if the segregation of the two groups represents a lost opportunity for cooperation. Women and minorities have been generally satisfied with his leadership, and schools for candidates set up last year in imitation of the Republicans were moderately successful. Manatt is hardly bashful about copying the opposition. He repeatedly points to former RNC chairman Bill Brock as his model. Recently the Democrats began an organization for rich young party activists called the Lexington Group. For several years, the Republicans have had something similar called the Concord Group.

Manatt has a metronome style that is well-suited to the organizational task he faces. "At 8:19 he'll tell you where he'll be at 2:21, and at 2:23 he'll tell you what time he'll take a piss—he's that kind of guy," says Larry Lawrence, a former Demo-

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cratic national committeeman from California.

Lawrence and other beneficiaries of Manatt's tireless, driven nature find it appealing. If many of the people who work for him at the DNC are inclined to disagree (several have already quit over it), few can be found to say it hurts the party. Manatt's school-marmish shushing of the noisy crowd at the 1982 mid-term convention in Philadelphia annoyed many delegates, but he is nonetheless credited with at least convincing Democrats to show up and get along with one another.

If the Democrats wanted a purely organizational man, that's what they got. On policy issues, despite the repeated attacks on Reagan the "Great Prevaricator" (not his line), it is clear that Manatt would feel more comfortable discussing, say, bank tax avoidance schemes than the problems of welfare mothers. For the chairmanship of the DNC—which is, after all, essentially a fund-raising job—perhaps this doesn't much matter. Aside from chairman Paul Butler of Illinois, whom Manatt worked for while in law school in Washington during the early 1960s, every recent head of the DNC has largely left policy formulation to the politicians.

To chide friends, as Manatt does, for driving foreign cars—he drives a Buick—seems to him to have absolutely nothing to do with the fact that his law firm represents Nissan Motors. For Chuck Manatt and thousands of other wealthy Democrats, that's just the way life is.

All the same, one can't help wondering a little about the Democratic Party, the party of the people, when its chairman, had he not been elected to that post, was in line to become president of the American Bankers Association. That is not meant to suggest that bankers should all be forced to be Republicans, or that Manatt's own background should somehow disqualify him from leadership in his party. It does, however, reflect on the ease with which people like Chuck Manatt can move up in Democratic politics—and the ease with which they can mix those politics with their conservative business interests.

BANKING ON CHUCK

Traditionally in American life, after the young immigrant or ambitious poor boy grew up and earned his fortune, he looked around, took stock of the system that made him rich, and became a Republican. The same thing did not necessarily happen to his descendants, which helps explain the Democratic noblesse oblige associated with the Roosevelts, Harrimans, and Stevensons. And it didn't happen as often for Jews and Catholics, for whom the new-found wealth was tempered with continued exclusion. But it was otherwise a familiar pattern outside the South.

Then, in the post-war period, especially in California, the pattern began to change. Suddenly well-tanned lawyers and entertainment people began to drive their Mercedes to the polling place with the intention of voting Democratic. Civil rights, Vietnam, the farm workers—why wasn't it possible to do good and do well at the same time? If Lauren Bacall and Humphrey Bogart could work for Stevenson, if Pat Brown could beat Nixon for governor, then maybe you really were allowed to vote as you wanted without feeling like a hypocrite. There was no class to be a traitor to (in the famous anti-FDR formulation), because Goldwater and the new conservative populists had changed the rules. The rich were free to be Democrats if they so chose.

It was into this world that Chuck Manatt, farm boy from Iowa, thrust himself in 1962 when he left Washington, D.C. and his leadership in Young Democrats. After a year as an associate at O'Melvany and Myers, a large Los Angeles law firm, he suddenly moved over to the firm run by the late Eugene Wyman, a long-time state Democratic Party leader. A year after that, 28 years old and already bearing a banker's mien, he set out on his own. Today the law firm of Manatt, Phelps, Rothenberg and Tunney employs more than 100 attorneys. It contains not just the chairman of the DNC and a former U.S. senator (John Tunney), but the brains behind the campaigns of Alan Cranston, Jerry Brown, and most of the state's other important Democratic politicians—a man named Mickey Kantor. It is now *the* Democratic law firm in the state of California.

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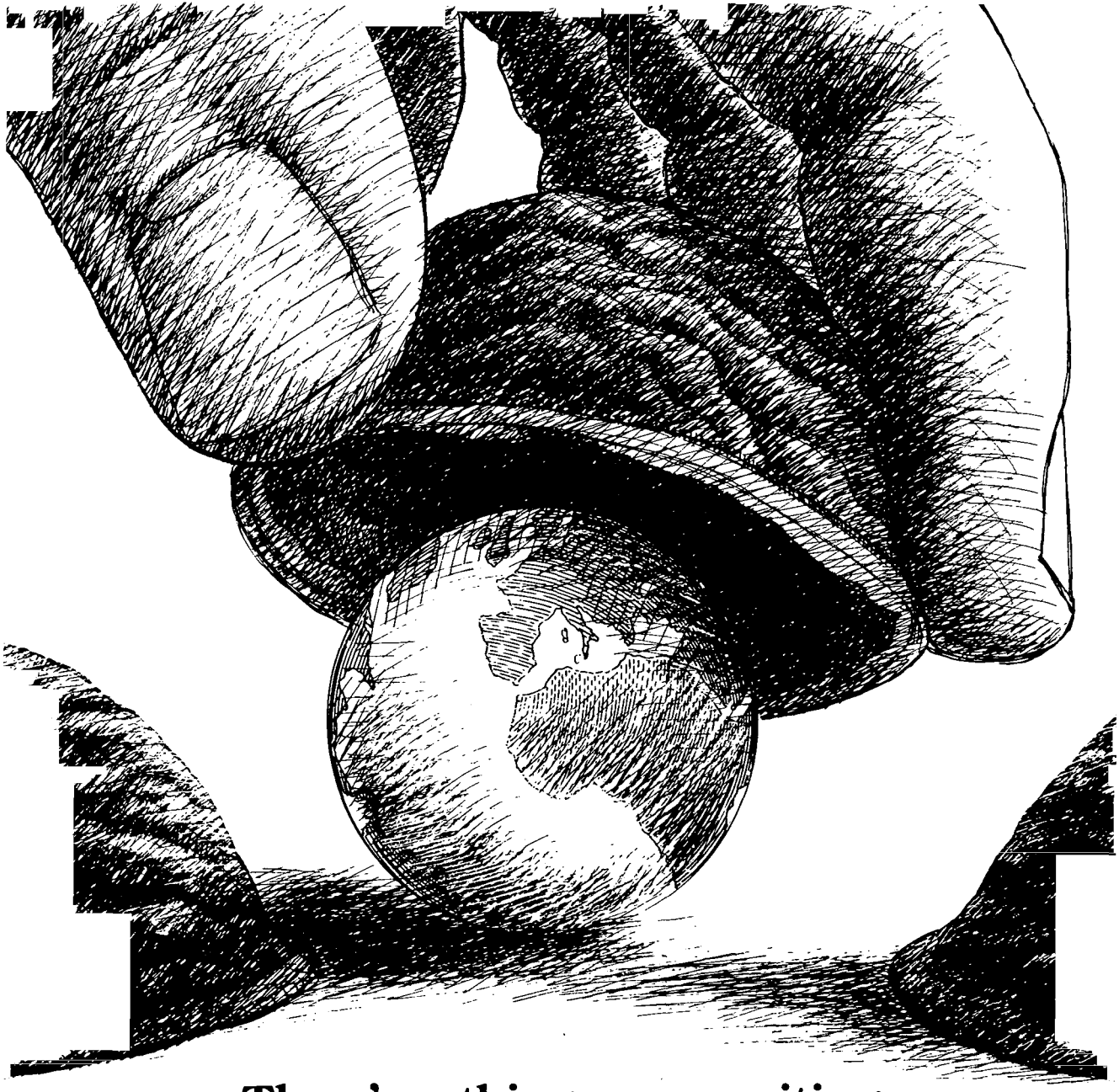

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Manatt is a millionaire, with oil wells in Texas, thousands of acres of farmland, and a bank he recently sold to Italian investors. The way he became a millionaire, in addition to working extremely hard, was by finding a little niche within banking law just waiting to be exploited: the obtaining of charters for small, independent banks.

Part of Manatt's success—he obtained scores of charters in his early years—was lawyerly smarts, part was that both federal and state banking authorities were becoming less stodgy and more receptive to new independent banks, part was unorthodox aggressiveness (a former partner, Marshall Manley, told Steven Brill of *Esquire* in 1978 that the firm "had no qualms about stealing lawyers and clients from other firms"), and part was that Manatt's political contacts, which he began to make shortly after arriving in California, helped him rustle up new business. Manatt was a joiner—UCLA activities, Boy Scout leadership—and his ambition was palpable.(To this day, some find him a "Methodist Sammy Glick.") But it worked. Before long, Manatt Phelps developed a near-monopoly on representing groups of California investors seeking to start a bank. During the 1970s alone, the assets of independent banks in California grew six-fold, thanks in no small part to the efforts of this one law firm.

In a world of sharks, Tip O'Neill is the porpoise you want swimming at your side. He embodies the sense of justice and compassion that has always distinguished Democrats.

After helping John Tunney get elected to the U.S. Senate in 1970 and pushing the career of state assemblyman (later assembly speaker) Bob Moretti, Manatt won a hard fight to become state party chairman. Soon he had his sights set on bigger things. Jean Westwood, George McGovern's choice for DNC chairman, was being forced out as too liberal and Manatt, only 36, thought he had a chance. He set up a boiler room operation before the DNC meeting and tried some deal-cutting on a national scale, but lost decisively to Bob Strauss, who got to run the party through the Watergate glory years.

At home, though, Manatt's combined banking/law/political operation was bearing fruit. First Los Angeles Bank, founded by him in 1973 with $3 million in capital, was growing exponentially, reaching $285 million by the time he sold his share last year. And the law firm was exploding, adding sports, musical entertainment, and real estate among other specialties. The firm's growth in so short a time wasn't just unusual, it was remarkable—even by California standards.

How did he do it? A politically active senior partner at another Los Angeles firm tried to explain: "What you do is 'parlay.' You get Democratic Party contributions from people you do banking business with, who then do legal business with Manatt Phelps, who then give more money to Chuck's state committee—pretty soon you've got a chain going. Then you work it in reverse. The wealthy people you meet through fund raising decide to start a bank and come to you." Manatt himself scoffs at the description—"if you're a Democrat in banking you really lead with your chin"—but he admits that business and politics often get tied up together.

The specific connections—the way all Manatt Phelps associates did their banking at First Los Angeles or the time the bank loaned $200,000 to the DNC—can't really provide the flavor of how a synergistic effort like this works. It's usually more informal than that, just as it is in the cities and towns across the country where the game is played every day (usually by Republicans).

To get a sense of these informal business and political connections and why they work so well, especially in California, it's necessary to describe hypothetical but still highly plausible patterns of behavior. Say that as president of your state bankers association (which Manatt was) you know that the wife of a fellow banker gets her jollies meeting Hollywood people. As it happens, a partner in your law firm handles a lot of big stars (in the case of Manatt Phelps, it could be Barbra Streisand or Linda Ronstadt). You don't use Barbra Streisand directly to raise money for the Democrats—that would be too obvious. But you can certainly throw a party where you introduce her to the banker's wife, who can in turn impress upon her husband the importance of contributing to the Democrats. There are a dozen variations on this arrangement, all of them just as informal, even subconscious. Nobody really *thinks* about the interaction between Hollywood money and the Democrats, it just happens—with people like

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Chuck Manatt nudging the process along. Is it any wonder that the biggest Democratic fund-raiser in all of Los Angeles is Lew Wasserman, chairman of MCA (which is represented by Manatt Phelps among others), and that the biggest Democratic fund-raiser in all of Manhattan is Steven Ross, chairman of Warner Communications?

The young professionals cheered as Kennedy moved through the litany of liberal positions, but you could hear the hum of the air conditioner when Kennedy criticized tax breaks that create new work for lawyers.

These, then, are the subtle "parlay" skills that Manatt has brought to Washington. If he lacks Bob Strauss's ability to turn the wheeler-dealer into a figure of rogue-like charm, he shares with him the strong desire to help the Democratic Party—and to help himself in the process.

SLEEP EASY, EAGLE FORGOTTEN

Because Strauss could get away with it—could even brag about how the Washington office of his law firm tripled in size when he was at the DNC—Manatt no doubt feels he can get away with it too. That's the explanation his friends give for why he did not sever his ties with his law firm and other business interests when he took over the DNC. Strauss didn't do it. John White, chairman under Carter, didn't do it. If Paul Butler and Stephen Mitchell and others from the old days of the party were more circumspect, well, the friends explained, times have changed. If you want a good DNC chairman, you have to let him keep making money.

"If clients ask if they're getting Manatt's services, the answer is 'no,'" says James Corman, a former liberal Democratic congressman from California who now works as a lobbyist in the Washington office of Manatt, Phelps, Rothenberg and Tunney, which has grown from three attorneys to seven in the two years since Manatt came to Washington to head the DNC. Manatt is still a senior partner but he involves himself only in questions relating to the firm's management; according to Mickey Kantor, such as the decision to build a large new office building (which was originally contracted to non-union labor, causing a tiff at the DNC). Manatt told me that he "builds a big wall" between the party and his law practice, and that he does no lobbying himself.

It's a good thing, too, because many of the clients and causes represented by the firm that bears his name do not do much justice to the Democratic Party principles he is called on to embrace. Much of the firm's Washington work is in the area of obtaining tax breaks for large corporations. In 1981, Corman sought a tax break for the Northwest Alaska Pipeline Co., which at the time was planning to build a non-essential pipeline and let consumers bear the $8 billion in upfront costs in their utility bills. Then there was Texas International's unfriendly takeover bid for Continental Airlines, a battle that found its way to the California state capital and Congress, with Manatt Phelps representing the predator. More recently, the law firm lobbied on behalf of the Pharmaceutical Manufacturers Association, which is seeking legislation that would extend patents for enormously wealthy drug companies, thereby limiting the ability of consumers to purchase far cheaper generic alternatives. Corman was a prime sponsor of national health insurance when he was in the House, and although his living room contains a sign "Please Don't Smoke" (his wife is allergic), he and Manatt Phelps now lobby for the Tobacco Institute on a tax matter.

The standard reaction to all of this among Democrats in Washington is mostly indifference. After all, Walter Mondale was among those pushing for the pipeline gouge, and the liberal former Senator Birch Bayh represents several less-than-savory corporate interests around town. The contradictions are so familiar—so much a part of doing business—that nobody loses any sleep. "When I was congressman I had the luxury to represent the public interest," says Corman, who still considers himself a liberal Democrat. "But an attorney doesn't do that, he represents his clients."

Thus it is perfectly natural for Democrats like Manatt to decry, as he did on the day of his election as chairman, "the spectacle of $10,000 dresses and minks" at the Reagan inaugural, though he and hundreds of other liberal Democrats gravitate to even swankier parties in Malibu or Manhattan or the Georgetown home of Pamela Harri-

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man. To chide friends, as Manatt does, for driving foreign cars—he drives a Buick—seems to him to have absolutely nothing to do with the fact that his law firm represents Nissan Motors. For Chuck Manatt and thousands of other wealthy Democrats, that's just the way life is.

That *is* the way life is—and it's not likely to change soon. But this doesn't mean people who care about the Democratic party shouldn't be a little more concerned that it now contains a whole class of people who can accept that reality with complete equanimity, who can mouth chic liberal ideas and then get up and go to the office every day to battle against them. When I asked Tom Hayden, who once ran for the U.S. Senate against Manatt's law partner John Tunney, whether he ever thought about this, he seemed bored by the question. "Manatt's no more guilty than any. He's made his money from corporate clients—there's no story there." I asked if he might have thought there was a story there 15 years ago. Wasn't that the kind of liberalism his movement rejected? Hayden didn't think so.

WELCOME, RISK-TAKERS

What's worrisome about Manatt is not that he is wealthy and knows a lot of wealthy people. Until that far-off day when an Archibald Cox has been elected president and money has less power in politics, the Democrats will need good fund raising. The question is, fund-raising and party-building by what breed of Democrat? What kind of Democrat does Chuck Manatt typify, and who does he attract to party activism? The issue is larger than Manatt himself.

One answer to that question lies in Manatt's creation of the Lexington Group, the Potomac Group, and the Hudson Group, all dedicated to bringing "young professionals" into active participation in the party. Isn't it possible that this segment is a tad overrepresented already? These are the people who cheered lustily as Edward Kennedy moved through the litany of liberal positions during his speech at the mid-term convention last June, but sat in silence—you could hear the hum of the air conditioner in the convention hall—when Kennedy criticized tax breaks that do nothing but create new work for lawyers. The reason for the silence was that Chuck Manatt and thousands of other Democrats in the room *are* the lawyers, MBAs, accountants, consultants, and other professionals who profit from the system the way it is. Only a few weeks before, Manatt and the DNC's Business Council had sent a letter to Democratic congressmen essentially endorsing the most egregious of Reagan's 1981 tax giveaways, the so-called "safe harbor leasing" provision, which allows profitable corporations to buy the tax losses of unprofitable ones, thus lessening their tax bills.

The Democrats who are involved in such matters are often nice, bright, interesting people, friends of yours and mine. They support the right causes, they attend the right parties, but in litigating, consulting, finagling, and endlessly rearranging the economy's existing assets, they don't do much to contribute to the productive growth of the country. It's sometimes easy to forget that this growth is what allows the government to pay for the health and welfare programs these Democrats quite rightly believe we need.

A better place to raise money—and build the party—is from less elitist (though still wealthy) entrepreneurs and innovators. Isn't the hardy entrepreneur committed to strong economic growth a *Republican* figure? Some think so. But in many ways the Republicans are even more the party of unproductive tax avoiders and asset rearrangers, of people more interested in protecting existing wealth than creating new wealth. Greater numbers of entrepreneurs could be convinced to become Democratic if the party better reflected some of the entrepreneur's values: faith in the little guy fighting entrenched interests, faith in the business-like, competent delivery of what has been promised (which in politics translates into picking up the garbage on time rather than preserving a four-men-to-a-truck rule), and faith in risk, which means trying the unusual idea even if it means offending the status quo.

If these values sound familiar it is because they are traditional Democratic values,too, as is the economic growth that has historically brought prosperity under Democratic governments. And if the values have faded with time, it is because the Democrats, like the Republicans, have forgotten how important these values are to the country's strength—and have been changed by their own success. Thus the early Chuck Manatt—the young man who helped bring independent banks to credit-starved small California towns—became the well-established, professional Chuck Manatt, whose law firm paws at the federal treasury on behalf of clients looking for hand-outs.

So the next time you go to a big Democratic fund-raiser, glance around and see how many of the assembled guests have helped build or have sustained a productive business, or have labored

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full-time in unglamorous positions inside or outside the government that show they are willing to work for some larger goal. Then take note of the people who care (during their free hours) about doing good—whether it's ending the Vietnam War or supporting a nuclear freeze—but care even more about doing well, which could mean using politics to make money, or cutting a deal that does nothing but enrich lawyers, or simply meeting Linda Ronstadt.

If the Democrats are really to represent *all* the people, as their credo reads, then that first group is going to have to grow a lot bigger, and the second group a lot smaller. Otherwise, the bulk of the natural Democratic constituency—employers and employees who work hard every day and produce—may come to believe that the party is just a little too Malibu, and that Democratic leaders are no better in this regard than Republicans.

A TIP OFF THE OLD BLOC

When it comes to making the Democrats the party of the people, Tip O'Neill would seem the model. Jimmy Breslin, for one, thought so after he spent the Watergate summer of 1974 with him. "He is most certainly one of those old-fashioned politicans that most people prefer to detest . . . but if you see O'Neill as he is, not as conformity forces us to see him, then there is coming into the room a lovely spring rain of a man."

Breslin was mostly on target in *How the Good Guys Finally Won*. Tip is disliked largely for reasons of style, and those are the wrong reasons. According to all who know him, he is a man of his word, a loyal friend, a thoroughly good-natured Santa Claus of a human being. In a world of sharks, he is the porpoise you want swimming at your side. "It's nice to be important, but it's even more important to be nice," is one of his mottos, and it is a good one.

These qualities are not to be brushed off. As a representation of what the American system can be, he is a positive symbol—not the big, fat, out-of-control, "just like the federal government" symbol that (recently defeated) Representative John LeBoutillier and other conservative Republicans toss around. O'Neill embodies the sense of justice and compassion that has always distinguished Democrats, and he usually does so without being too cloying about it.

Republicans who have made it on their own wonder why everyone else can't make it on their own too. Tip knows better—he knows that luck is a factor in life, and that the down-and-out genuinely need the help of their party and their government. As a child he watched his father, a neighborhood leader, sit at their kitchen table in Cambridge and help the widow short of money, the father who had lost his job, and all of the others Tip himself would help for 40 years as a state legislator, speaker of the Massachusetts House, and congressman. When O'Neill took John F. Kennedy's seat in 1952 he began a House career that testifies to the ability of politics—old ward-style politics—to give people a hand. "Confessional," he calls it, as he sits, a look of concern on his face, and listens.

This appealing approach to politics is no less relevant now than it was when Tip O'Neill's grandfather and other immigrants came to the big cities and first began to use government as an instrument of service. Tip's problem—and that of the Democrats—is that they sometimes forget who it is they are listening to. That man standing with his arm on the speaker of the House's shoulder at Mel Krupin's restaurant is not a poor orphan seeking the help of a compassionate government. He is a lobbyist, and though there's a chance the claims of his clients are consistent with the values of social justice Tip champions, there's a better chance they aren't.

Susceptibility to the blandishments of friends (*everyone* is Tip's friend) is mostly just the result of staying in the capital too long. O'Neill is now more Washington than Watertown. His own son "Kip" O'Neill lobbies for the Saudis, the Marriot Corp., and an insurance company defending itself against claims by asbestos victims. His former chief aide, Gary Hymel, works for Robert K. Gray, the corporate lobbyist and Reaganite. Tip isn't pushing for house reforms on PAC lobbying, even though such reforms could give him some control over disobedient Democrats by making them more dependent for campaign support on traditional party sources.

Why is O'Neill unable to be more like Sam Rayburn, who lacked Tip's convivial nature, but also lacked his rapport with lobbyists? One suspects that O'Neill gives so much himself that he assumes other people do so out of the same generous spirit. Recall Tongsun Park, the Korean rice dealer who spent $7,000 on lavish birthday parties for O'Neill in the mid-1970s. On an NBC feature in 1978, Tandy Dickinson, Park's "hostess", displayed many photographs of the two men together, confirming their friendship. When Park was later found to be working for the Korean government, O'Neill seemed genuinely oblivious to the implications.

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Isn't putting people back to work Tip O'Neill's major priority? Apparently not. When it comes to trading high union wages for more jobs, O'Neill won't do it. Nor will most of his fellow Democrats.

A PIECE OF THE ROCK

In 1960, Tip's wife, Millie, who stayed home in Cambridge for all the years before her husband became speaker (O'Neill roomed in Washington with fellow congressman Eddie Boland), urged him not to run for governor of Massachusetts. According to a recent biography of O'Neill, she feared he would be taken advantage of by hungry office-seekers. "Tom (she is one of the few who can call him this) could never say no to anybody."

Mrs. O'Neill no doubt meant this verdict in a positive way, which is how a lot of Democrats over the years have viewed it. They often translate "never say no" into a more elegant phrase that resonates of the New Deal: the politics of inclusion. Inclusiveness is one of the things that separate Democrats from Republicans. It offers all groups a chance to participate in the bounty of American life. So why haven't the Democrats wiped out the opposition? Because, as a concept, inclusiveness is a lot wider than it is deep; the electorate sometimes realizes that when groups are included that don't really need the government's help, everyone else can suffer. In the years since Franklin Roosevelt, these groups have come to believe not just that they would be included in the Democratic Party, but that they *owned* part of it. There is a big difference.

A case can be made that Tip O'Neill and the Democrats have carried the politics of inclusion so far that the speaker has been left in the peculiar position of resembling a man he would not like to be thought resembling—a man who is also a nice, warm person, but also largely wrong in the way he translates his instincts into solutions: Ronald Reagan.

The problem is not, as some might imagine, that O'Neill by self-description is "one of the biggest spenders of all time." Tax and tax, spend and spend, as the phrase goes, is nothing to worry about as long as the taxing and spending are for the right things. But listen to this recent answer to a reporter's question about the Democratic jobs bill:

Question: "Mr. Speaker, are you saying that you will promise so many things to so many people that the Republicans will have to go along?" (laughter)

O'Neill: "Maybe that's part of our strategy. . . . The media built the 1980 election as a philosophical or fiscal change. It wasn't that at all. The election was the unpopularity of Jimmy Carter, the Iranian situation, and the aftermath of the energy crisis. . . "

One could chalk that comment up to rhetorical excess but for the fact that no one in the crowded briefing room even blinked when he said it. It was as if the sour experience of Reagan's economic policy meant that the Democrats could just pick up where they left off before 1980. When asked specifically about this, Democratic congressmen (and O'Neill too) tend to answer that of course times have changed, with the deficit problem and so forth, but that the Democratic approach of the past has been largely vindicated by the dreary economic news of the last two years, and by the 1982 election returns. "After 1980, the thumb-suckers ran for the bushes and started *rethinking*," says O'Neill aide Chris Matthews, spitting out the last word. "Well, there's no time for it."

O'Neill considers it a victory that the mid-term election campaign was conducted on his issues: unemployment and Social Security. And, indeed, these issues were crowd pleasers at the polls. But for the long-term good of the party and country, the current Democratic attitudes toward labor and entitlement programs can only be considered disastrous.

WHOSE BACON?

In the Irish precincts of Boston, Chicago, and other cities, there's an old expression that helps explain what now imprisons the Democrats. "You dance with the one who brought ya," the saying goes, and it's a code that is not broken lightly. Among the suitors who brought Tip O'Neill to the dance was the American labor movement. On the very day Tip was born 70 years ago, his father, then

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a bricklayer, was walking a picket line around Harvard Yard, protesting that Harvard wasn't willing to bargain collectively with the construction unions.

There is a lot to cherish in that heritage: Tip O'Neill's Cambridge is not Harvard's Cambridge, and through most of the labor struggles of this century, the O'Neill side was very much the right side. In recent years, however, the lines have grown a lot less clear. Bricklayers, for instance, are no longer chafing under oppression. In Boston, their prevailing wage is now $16.50 an hour, an impressive wage when there's work to be found.

Finding work—or creating it—is what Tip O'Neill is now directing his attention to. The Democrats have proposed a whole series of much-needed public works/jobs bills to help get the country back on its feet again, and the speaker is leading the charge.

Unfortunately, the labor heritage and the pressing national need for jobs are at some odds with each other, a point that Democrats like O'Neill are loath to admit. Imagine that the Boston bricklayers were paid, say $8.25 an hour—still a good wage—instead of $16.50. If that idea were applied throughout the public jobs programs (to both the skilled and unskilled), wouldn't it be possible to create hundreds of thousands of additional jobs for the same money? And isn't putting people back to work really Tip O'Neill's major priority?

Apparently not, because when I asked him whether there was any chance of those extra jobs being created, he was emphatic. "There will be no challenge to Davis-Bacon in this Congress. Absolutely none." The Davis-Bacon Act of 1931 requires that the "prevailing wage" be paid on all government-sponsored projects, which means that Boston bricklayers must get $16.50 an hour, even if paying them a little less could mean taking their brethren off the unemployment line. (The prevailing wage in many other jobs reaches into the $20-an-hour range.)

I asked Chris Matthews if he could think of any case where this speaker of the House of Representatives had departed from the interests of organized labor. As the big clock in the corner ticked away, Matthews furrowed his brow like a stumped game show contestant. Except for a proposal that government workers should be required, like everyone else, to be part of the Social Security system, an idea opposed by federal employee unions, Matthews could think of no occasions when O'Neill had stood against this interest group, a group whose positions no longer automatically coincide with the interests of American working people.

What's disturbing is not just that Tip O'Neill is old school, not just that he likes wasteful water projects and other pork (the Thomas P. (Tip) O'Neill, Jr. Federal Office Building will go up soon in downtown Boston). The real problem is that these old ways of doing things are not just quaint holdovers from a glorious past, but what continues to be the ruling orthodoxy of the Democratic Party. When I took an informal survey of a few Democratic congressmen to see what they thought about waiving Davis-Bacon so as to employ more people, none went into vigorous defense of the unions. They tended, instead, simply to sigh and say something like, "Well, that's an idea whose time hasn't come yet," or "Don't you understand? Labor is part of the Democratic constituency."

What's sad is that the Democratic Party needn't be so imprisoned. The Democrat beholden to no interests can respond to the larger interests of everyone. If that sounds impossibly idealistic, think back to the Depression, when thousands of workplaces hung blue eagles in their windows proclaiming, "We Do Our Part." Employers and employees were loyal not to their own wages, but to the good of their company and country.

Democrats can embrace that larger interest now—or let a crisis impose it. So far, it looks like they'll let the latter happen.

DEMOGOGIC PARTY

The Democrats' worst sell-out has to be Social Security. Reagan's proposal to make crude across-the-board cuts in benefits gave the Democrats a political opening; it did not give them an excuse for the (let's call it what it is) demagoguery displayed during the 1982 campaign.

Now that the election is over, some Democrats will admit that Social Security is in need of basic reform; some will even admit that "Save Social Security. Vote Democratic" was a bit of a reach. But most, like Tip O'Neill, are happy with the way the issue has been handled. They recall that day in April of last year when Reagan went up to Capitol Hill to try to get the Democratic leadership to agree to a three-month freeze in Social Security cost-of-living adjustments (COLAs), a sensible enough proposal during a recession. Tip's lieutenants still see red when they recall the meeting. O'Neill believed Reagan was just trying to tar the Democrats with some responsibility for cutting Social Security, a ploy he quickly rejected.

The opportunities for political advantage by leaving Reagan responsible were immense.

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Shortly before the election, O'Neill's people gleefully received what they call their "manna from the Republicans." On October 28—the exact date is still well-remembered in the speaker's office—somebody leaked a letter to Republican contributors from Representative Guy Vander Jagt, chairman of the National Republican Congressional Committee. The letter was about how the Democrats had used Social Security as a "political football" and how it was time to think about serious reform proposals. In order to sample opinion on the subject, Vander Jagt enclosed three ballot cards with various reform options and a place to check the best one. One card said, "Split off the welfare aspects of Social Security into a separate fund." A second said, "Adjust the financing of Social Security without making any fundamental changes in its structure." And a third card said, "Make Social Security voluntary."

That was all Tip O'Neill needed. "The president needs to assure America's senior citizens that the administration is not even *thinking about* making Social Security voluntary," he told the press that day, displaying a huge blowup of the nefarious ballot card. "Voluntary," he said, was a code word for destruction. His own position, he hardly needed to add, was in code too: Democrats had better not think too boldly about how to get the nation's retirement system out of its mess.

Voluntary Social Security is hardly a very good idea, and Ronald Reagan can hardly be trusted to fashion the most sensible reforms. He doesn't seem to know the difference between cutting benefits for the poor—which some of his proposals, the TV ads notwithstanding, would have done—and cutting them for the rich. But the Democrats who reject all attempts to cut benefits don't seem to know the difference either, or to ask with any frequency the basic question: Why should people get Social Security if they don't need it? (The answer, by the way, is not because they've paid in, because what workers contribute during the working years doesn't even begin to cover what they receive after retirement.) The basic Democratic position, even after the recent commission deliberations, is that the system needs only a little tinkering in the form of tax increases, not the fundamental reform that the evidence indicates.

The obvious reason the Democrats have taken such a dishonest position is that the elderly, and not just the needy elderly, are part of what they see as their constituency. Like labor, the "entitlement" constituencies have developed a hold on the party, even though many Democrats admit privately that the interests of those constituencies differ from the interests of the country as a whole. The acts of contortion required for Democrats to meet such demands are most extreme in the case of military spending. Tip O'Neill can't oppose the Navy's F-18 airplane because its engines are built in Massachusetts. The same trap holds another liberal, Senator Alan Cranston, who is unable to come out against the B-1 bomber because it is built in California.

OUR BETTER SELVES

The disadvantages of going against constituency groups are obvious. In the short run, you lose votes, money, and support. Democrats too often see those factors as so decisive that they fail to see potential advantages to kissing off the special interests that are always laying claim to them.

The biggest advantage is that by starting to realize the dangers of brokering themselves, Democrats can shape the outlines of a new, more successful party. This new structure would include all of those old elements, but it would lie subservient to none of them. It would be a coalition in the best sense of the word. To *coalesce* really means to give up some of what you've got for the interests of the whole. It means confronting not just the other party's special interests, bad as they are, but your own. It means overpaid union members, un-needy elderly, and all of the other Democratic constituencies symbolized by Tip O'Neill must be convinced to give up some of what they've got. And it means the professional class personified by Charles Manatt—the people who think that voting Democratic and giving to good causes is enough—must be convinced to check their elitism, and to work more productively, not just for themselves, but for everyone.

Whatever the theological or Freudian abstractions, one can't help believing that at bottom every person contains two selves, and that this applies to political outlook as well. The first part—the one that comes to the surface most quickly—is selfish and insistent that its "own best interests" be well-represented. The second part wants to believe in something larger—community, party, country. This large-spiritedness is something Democrats once talked about frequently in speeches, and once really meant—in the days before such appeals became little more than embroidery for ticking off sops to constituencies. The idea can still work, not just to win a crowd or an election, but to build a new party ideology—and to change the country so that it reflects this better angel of our nature. ■

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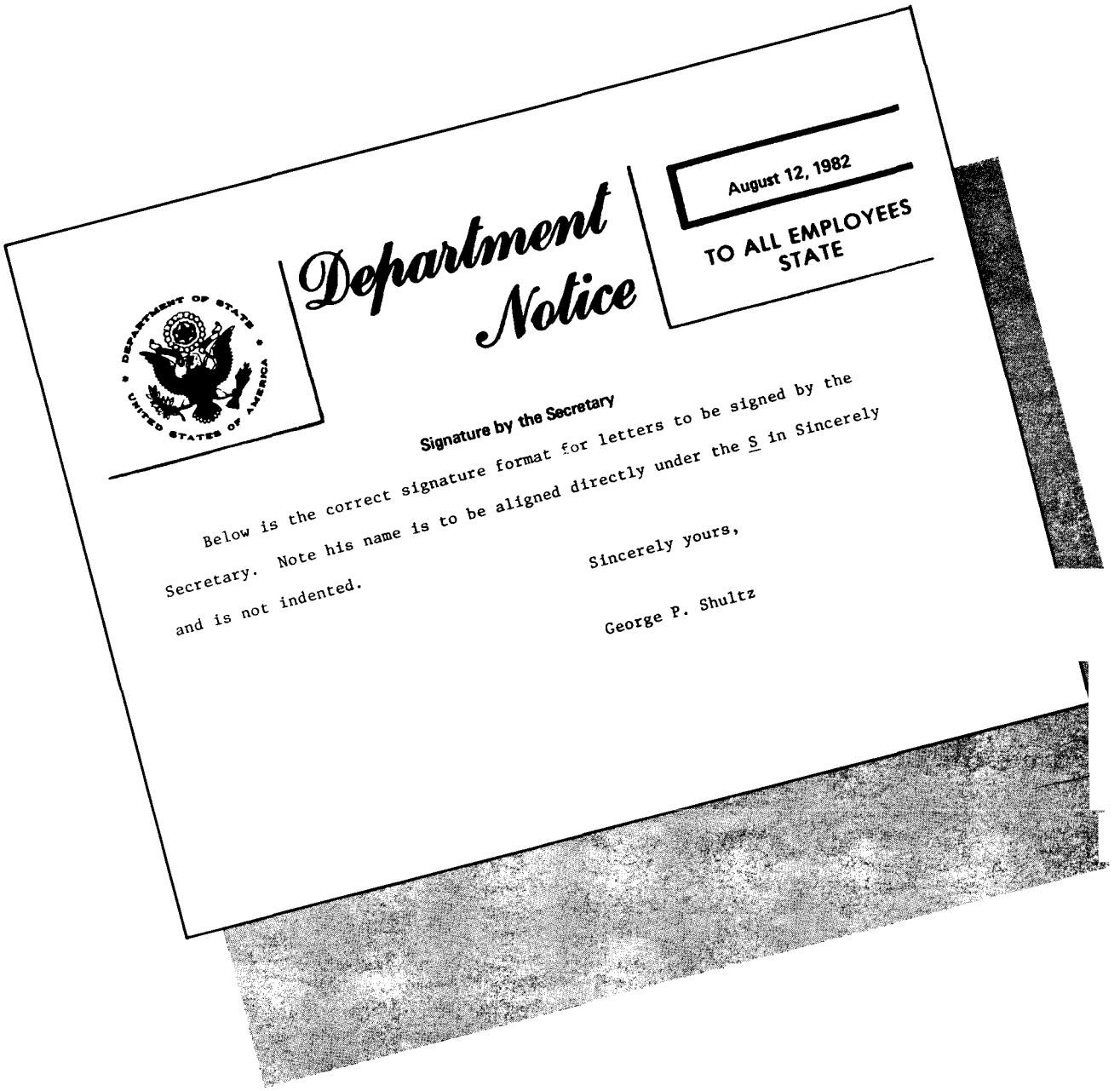
MEMO OF THE MONTH



Department Notice

August 12, 1982

TO ALL EMPLOYEES
STATE

Signature by the Secretary

Below is the correct signature format for letters to be signed by the Secretary. Note his name is to be aligned directly under the S in Sincerely and is not indented.

Sincerely yours,

George P. Shultz

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BIG OIL vs. CHEAP GAS

By Alfred J. Watkins

Photo: American Gas Association

There is an old political maxim: If it ain't broke, don't fix it. The Natural Gas Policy Act of 1978 ain't broke. By almost any yardstick it is working better than expected. Working so well, in fact, that a lot of people—from Exxon to the National Audubon Society—want it repealed.

What are some of the complaints against the NGPA? It is disturbing the free market by providing too many incentives to find and develop new gas reserves. By encouraging drilling in the geological strata where large natural gas strikes are most likely, it is prolonging the life of easy-to-deplete, known reserves. By flooding the once shortage-plagued interstate market with gas, it is reducing demand for other fuels such as coal, uranium, OPEC oil—and even solar energy.

If these criticisms strike you as slightly surrealistic, welcome to the topsy-turvy world of natural gas regulation, where many people tout success as failure and the only good natural gas reserve often is one that stays undiscovered. It is a world where the NGPA is considered the worst kind of energy policy—even though it offers the United States' best hope for delivering the knockout blow to OPEC.

This last point gets to the real motive behind a growing campaign in Congress to gut the NGPA. Ask yourself a simple question: What could possibly send tremors of fear through such diversified energy corporations as Mobil and Exxon? Another OPEC price hike? A new windfall profits

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tax? Don't be silly. Try something really scary—like a cheap, clean, and abundant substitute for petroleum.

Natural gas is all these things. Though its price has been rising in recent years for reasons that have little to do with NGPA (see sidebar), it is still a bargain; it can heat homes and factories at approximately half the cost of fuel oil. As for cleanliness, natural gas is composed almost entirely of methane, a very simple molecule that when burned breaks down into carbon dioxide and water—not the sulphur, nitrous oxides, and assorted toxics that result from the combustion of gasoline and coal.

The abundance claim may be hard to believe, particularly if you remember all the talk five years ago that natural gas was fast going the way of the humpback whale. In 1978, the Carter administration estimated all the nation's natural gas would be gone in 10 years, a prospect that so panicked Congress it mandated that utilities and certain factories switch *from* natural gas *to* coal or even imported oil.

Then a funny thing happened. By partially decontrolling prices, the NGPA did exactly what any Economics 101 freshman might have predicted: it increased natural gas supply. In fact, in large part because of NGPA, we're now rolling in the stuff, the result of a natural gas rush that even the most die-hard free marketeers never imagined. Since the act's passage, drillers have been discovering natural gas almost everywhere they've looked—and in staggering quantities. In the Anadarko Basin of western Oklahoma alone, 70 new superwells, each capable of producing the energy equivalent of one million barrels of oil a year, had been discovered by late 1981. In a single deposit in Louisiana called the Tuscaloosa Trend, geologists have estimated gas resources of up to 24,000 trillion cubic feet—more than a thousand years' supply. According to estimates by the generally cautious Potential Gas Committee of the Colorado School of Mines, the United States could double its current consumption of about 20 trillion cubic feet a year and still never worry about shortages.

What's so great about a natural gas glut, you ask? As Gregg Easterbrook pointed out in these pages ("Why Not the Cheapest?" October 1980), natural gas is our ticket to destroying OPEC. Though U.S. oil imports have fallen to around five million barrels a day, and there are signs OPEC is weakening, oil prices are still an exorbitant $34 a barrel—10 times higher than they were a decade ago. And as the Iranian oil shortage of 1979 demonstrated, the sheiks and the Seven Sisters are adept at manipulating small supply disruptions into full-fledged crises in order to find a new pretense to continue their price gouging. Nothing less than a full-fledged effort to reduce oil consumption will topple OPEC—and this is where natural gas comes in. Though natural gas can't easily replace gasoline, less than half our daily consumption of 15 million barrels of oil goes for transportation. About nine million barrels a day go to fueling utilities and factories, and heating homes and businesses. Converting these uses to natural gas is fairly simple, sometimes involving little more than adjusting a few boiler valves. At an estimated one-time cost of about $20 billion, the nation could convert more than half these existing oil uses to natural gas. If that seems expensive, consider this: the Pentagon has spent far more for a Rapid Deployment Force whose major purpose is . . . protecting foreign oil sources.

Gassy Debate

It's not that this scenario is too good to be true—it just happens to be too true to be good for everyone. Owners of coal wouldn't be happy with an aggressive conversion process that takes full advantage of our abundant natural gas supplies—they have completely different notions of achieving energy independence. The nuclear industry has enough troubles without adding natural gas to its list. Independent fuel oil dealers also fear for their livelihood; dealers in New York have even launched an aggressive advertising campaign to keep their residential customers from switching to natural gas.

But natural gas poses the most risk to the nation's large oil companies—which, not coincidentally, also happen to own the majority of the nation's coal and uranium. Because they also produce half the nation's natural gas, these companies are not against using natural gas and some are actively developing new resources. Most are, however, opposed to an all-out effort to promote natural gas *at the expense of other energy sources*. A dramatic increase in natural gas use might cause oil prices to collapse as demand drops precipitously. To big oil companies, natural gas poses far more peril than even the most aggressive FTC lawsuit.

This explains why the major lobbying arms of the oil industry such as the American Petroleum Institute and the Natural Gas Supply Association (a consortium primarily of oil companies that also produce gas) have made the evisceration of the NGPA their top legislative priority in the next

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Congress. The oil industry would replace the NGPA's complicated system of price controls and incentives with total decontrol of all gas prices. This would have two salutary effects as far as the oil giants are concerned: First, it would vastly increase the revenues they would receive for their own gas, most of which is now subject to strict price controls. Second, by effectively tying all gas prices to oil prices, decontrol would ruin the best chance we have to break free of the OPEC stranglehold that has so debilitated our economy.

Big Oil's Gas Pains

To understand how the NGPA poses such a threat to the oil companies—and why its continued life is the most sensible energy policy for the rest of us—it's necessary to consider the act's benighted origins. It took Congress 19 months to come up with the NGPA, which it completed in 1978, and the process was living proof that sometimes the ideal recipe for good policy is two false premises, a flurry of special interest lobbying, and a compromise that both sides consider a rip-off.

One of those false premises belonged to James Schlesinger, who belonged to the "Chicken Little" school of energy analysis. Because we were running out of both oil and natural gas, he asserted, we should either force lower use through higher prices or simply give up altogether. He took the first course with oil, arguing for decontrol in conjunction with a windfall profits tax that would help balance Carter's budget. He took the latter course with natural gas, proposing that existing gas price controls be maintained while only very limited incentives be given for finding new gas. After all, Schlesinger argued, if there really wasn't much natural gas left, why bother to encourage anyone to look for it?

Schlesinger believed so strongly in the "vanishing gas" scenario that the last thing he was going to do was let the facts stand in his way. In preparing estimates of U.S. energy reserves, a research team headed by geologist Charles Knudsen of the Department of Energy concluded that natural gas reserves would last at least 40 years, not ten. Knudsen was promptly demoted. When the head of the U.S. Geological Survey, Dr. Vincent McKelvey, began making estimates that natural gas resources were "ten times the energy value of all [previously discovered] oil, gas, and coal reserves in the U.S. combined," he earned a different fate. He was fired. Schlesinger ordered the numbers redone to reflect his pessimistic scenario; one participant recalled: "Schlesinger said he didn't care where the numbers came from, as long as they were bad."

Carter's opponents erred in an opposite direction by trying to remove almost all price controls on natural gas. Led by the oil companies and dominant gas producers, they wanted to let the market determine prices on all "new gas"—that is, any gas discovered and sold in interstate commerce after January 1, 1977. (Though these producers favored the removal of controls on existing "old gas" as well, they did not press their case because they realized that was then politically impossible.) Decontrol enthusiasts argued that letting all gas prices rise was the best way to encourage more exploration and production, thereby relieving the widespread gas shortages then plaguing the interstate market.

Decontrol advocates were right in saying higher prices would lead to the discovery and development of large new gas supplies. But they were wrong in urging decontrol for all new gas. To understand why, think of natural gas as Coca-Cola. If you are thirsty, you can either plunk a second straw into your friend's bottle or you can go out and try to find a new case of soda. The decontrol proponents never distinguished between these two approaches. Instead, they wanted to set the same price for gas from new reservoirs (finding a new case of soda) and gas from additional wells in old reservoirs (adding a second straw).

Gas producers may be born gamblers, but they are not fools. If you offer them the same reward for betting on a long shot (exploring for new gas) and betting on a sure thing (drilling in existing fields), they will naturally prefer the latter. Unfortunately, in the case of natural gas the consequences of this are altogether self-defeating. Letting gas producers reap a bonanza simply for increasing production from known fields would have increased consumer costs by more than $60 billion (thereby fueling more inflation), while doing little to identify new supplies.

After months of acrimonious debate, all-night sessions, and a spirited filibuster led by senators Howard Metzenbaum and James Abourezk, Congress worked out a compromise that few liked and even fewer understood. The NGPA managed

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to come up with 23 legal varieties of a molecularly identical substance. There were categories for old gas, new gas, interstate gas, intrastate gas, onshore gas, offshore gas, shallow gas, deep gas—not to mention a category for gas that didn't fit any of the other categories. The diagrams showing which natural gas falls into what category looked like a post-modernist painting of a plate of spaghetti.

Yet for all the byzantine complexities, a certain logic lay behind the NGPA, a "supply-side theory" of energy as it were. Where higher prices would make little difference in production, as in the case of gas already being pumped from existing fields, price controls were left intact. These prices ranged from $.18 to $1.45 per thousand cubic feet, depending on the date the gas was first sold in interstate markets, and were allowed to rise with inflation. To relieve immediate supply problems and encourage more drilling in already discovered fields, such "new" gas was priced at $1.75 per thousand cubic feet ($1.75/mcf in the gas industry's cryptic shorthand) and also allowed to rise with inflation. Gas from most newly found fields also was priced at $1.75 but allowed to increase *faster* than inflation. And where producers risked the most capital looking for new gas, the incentives were greatest. The biggest went for "deep gas," found below 15,000 feet; for it, the NGPA imposed no price controls at all.

The Gasmen Cometh

The gas bonanza of the last five years is the story of deep gas—which in turn is largely the story of a man named Robert Hefner. The head of a natural gas drilling firm called the GHK Company, Hefner for the past 20 years has devoted his time, energy, and money drilling exclusively for deep gas. He has sung the praises of deep gas throughout this time, explaining to anyone who would listen that the United States was a "world-scale frontier as a natural gas province," entering the "new age of methane." To friends and business partners, Hefner was a visionary; to most people in the oil and gas industry, he was an eccentric, if not a raving lunatic.

Not that there weren't good reasons to suspect Hefner's sanity. Historically, finding oil has been two to three times more lucrative than finding gas. Wildcat drillers who inadvertently found gas in their search for oil weren't loathe to market it, but they didn't see much sense in specifically looking for it. Moreover, because oil is seldom found below 10,000 feet, drilling deeper seemed downright silly. Deep wells can take up to two years to complete and cost up to ten times as much as the average shallow well, and even if gas was discovered under price controls it was likely to fetch less than it cost to produce. A well Hefner drilled in 1969 produced large quantities of gas at 24,000 feet, but it was a financial flop with prices at only $0.17/mcf.

After widespread natural gas shortages occurred in the winter of 1976-77, Congress finally realized something had to be done to guarantee future supplies. So Hefner did what many self-respecting businessmen do when they want the government to help make them millionaires: he began to lobby. Success came rather easily, and not only because of his movie-star good looks and charm. When Jimmy Carter finally decided to compromise on the natural gas issue after the House had passed his version of the bill but the Senate had endorsed decontrol, Hefner called him to suggest that those hardy entrepreneurs looking for deep gas deserved an incentive. When Carter embraced the notion, many liberals accused him of caving in to special interests who stood to profit handsomely from NGPA—which was true. Hefner, for example, recently was listed by *Forbes* as one of the 400 wealthiest people in America.

It would be easy to dismiss the NGPA as special-interest lobbying at its worst were it not for one thing: what was good for Hefner also happened to be good for the rest of us. As a result of the incentive for deep gas, the number of new wells mushroomed. In the Anadarko Basin alone, for example, deep wells soared in number from 160 at the end of 1978 to 750 by December 1981. In the oil industry, a 15-percent success rate is considered exceptional: the success rate for deep-gas wells so far has been 57 percent in Texas, 63 percent in Wyoming, and 64 percent in Oklahoma.

Though it's plentiful, deep gas is also expensive to produce. In fact, the average price of $3/mcf that pipeline companies are now paying for gas is too low to cover costs of all but the most productive deep-gas wells. So why have deep-gas producers like Hefner been so willing to explore for new reserves? The answer lies in something called "rolled-in pricing," which is the reason for NGPA's success so far—and the real object of the oil companies' enmity.

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Soaring Gas Prices: Don't Blame the N.G.P.A.

If you happen to use natural gas to heat your home, all this talk about the glorious age of methane no doubt leaves you somewhat perplexed. So much new gas has been discovered since 1978 that a natural gas glut has developed. Yet in the past year gas prices have skyrocketed. According to the American Gas Association consumers will pay an average of 25 percent more for gas this year than last; in some parts of the country increases will exceed 50 percent.

If you think this defies everything you ever learned about supply and demand, you're absolutely right. Under normal circumstances these surpluses should force prices down, but in the perverse world of natural gas a vicious circle has developed. Bigger surpluses mean higher prices, which in turn mean lower demand and even bigger surpluses.

The reason for this lies in what are known as "take-or-pay provisions." In the mid- and late 1970s, pipeline companies signed contracts (mostly with producers of expensive, recently discovered gas) that amounted to little more than legalized larceny. The provisions obligated pipelines to pay for up to 95 percent of a producer's output regardless of whether it could be sold. Pipelines would either take the gas and pay for it, or not take it and still pay for it.

The pipeline companies (which in turn pass their costs on to consumers) blundered into these contracts for two major reasons. First, they assumed that natural gas was disappearing so fast they had no choice but to sign such long-term contracts to guarantee supplies. At the same time, they assumed oil prices would continue to soar, thereby increasing demand for natural gas.

The pipelines were wrong all around. Discoveries of new gas far exceeded most predictions. An oil glut developed and the recession that began in 1979 reduced demand for all energy. And though homeowners began converting from heating oil to natural gas at a clip of 400,000 a year, per capita use dropped sharply as customers practiced conservation. In 1977, the U.S. consumed 19.9 trillion cubic feet of natural gas; in 1981, when the supply outlook was as rosy as it was gloomy four years earlier, consumption had dropped to 19.8 trillion.

But under the take-or-pay provisions, pipelines have had to refuse delivery of much cheaper gas. The Northern Natural Gas Pipeline Company of Duluth, for example, is now refusing gas at 90 cents per thousand cubic feet in favor of Canadian gas at $6. According to the *Kansas City Star*, consumers in 14 midwestern states will pay $545 million extra this year because pipeline companies are drastically reducing purchases of gas at 27 to 50 cents to buy gas as high as

Oily Reaction

Rolled-in pricing works like this: Let's say a pipeline company pays $1/mcf for half its natural gas. It buys the remainder from other suppliers at prices ranging from $1 to $7/mcf. By averaging costs, the pipeline company can sell its gas for $3/mcf, which keeps it less costly than the price of its main competitor—oil. Yet the pipeline company can still afford to buy high-priced deep gas because old, price-controlled gas provides a cushion.

As opposed to government tax breaks or depletion allowances, rolled-in pricing stimulates new exploration by subsidizing it with existing supplies of gas. As existing reserves of price-controlled gas are exhausted, prices will rise, but not in disruptive leaps, as has been the case with oil. Rolled-in pricing thus offers the best of both worlds: tremendous incentives to find new gas while sheltering consumers from the full brunt of its costs. And by encouraging exploration *now* rather than when existing supplies are on the verge of disappearing, rolled-in pricing has given the nation the rare good fortune of identifying in advance how to end dependence on imported oil.

And herein lies the problem: Not everyone is keen on seeing the energy crisis go the way of 29-cents-a-gallon gasoline. And it's no small irony that those most anxious to destroy the old-gas price cushion—the oil companies—also happen to own most of the nation's natural gas.

Why the oil companies dislike the NGPA so much becomes clear when one realizes what kind of gas they own. A study based on government figures by the Consumer Federation of America shows that the nation's major oil companies own 72 percent of the nation's old gas—that is, gas subject to the NGPA's indefinite price controls.

This is in stark contrast to deep gas. Though many large oil companies are exploring for deep gas, most producers are the epitome of that much-

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$9, some of it liquefied gas from Algeria. Columbia Gas System Inc., which supplies customers in seven eastern states, signed contracts that promised not only to take 90 percent of a producer's expensive gas, but to let prices automatically increase with inflation plus three percent. Some industrial users, paying double what they were two years ago, are switching to cheaper residual fuel oil.

Take-or-pay contracts aren't the only reason for escalating gas prices. According to a detailed investigation by the Consumer Federation of America, the nation's largest gas producers appear to be making $500 million a year in illegal profits by selling natural gas at prices far in excess of levels mandated by the Natural Gas Policy Act of 1978 (see sidebar on page 30). Another device for artificially raising gas prices is something known as "self-dealing," whereby pipeline companies buy gas from their own subsidiaries at inflated prices, sometimes in lieu of much cheaper gas from other sources. For example, Columbia's West Virginia branch recorded a "loss" last year because it bought expensive "company gas" while passing up much cheaper gas from independent West Virginia drillers. Take-or-pay contracts notwithstanding, such sleight-of-hand helped Columbia generate record high profits in 1981.

All this has prompted a hunt for villains, and NGPA's price controls head many people's list. Yet this ignores the fact that pipelines would have signed these contracts even if Congress had removed all price controls on natural gas in 1978. The impetus for entering into these agreements was the fear of a shortage—which actually might have occurred had Congress taken the decontrol route. But by maintaining price controls on already discovered old gas while removing those for difficult-to-develop new gas, the act was directly responsible for the new discoveries that now make it possible to use natural gas as a means of crushing OPEC (see main story).

The call for decontrol also ignores the best and most obvious solution. Congress simply can require pipelines and producers to renegotiate certain take-or-pay clauses, forcing gas prices to respond to supply and demand.

Unfortunately, for many powerful interests the most obvious solution isn't the best one. Some producers would lose their money with renegotiation. But more important, this approach would eliminate any pretext for decontrolling all natural gas prices, particularly those in effect on already discovered old gas. The top 20 oil companies own 72 percent of this gas—and stand to reap up to $70 billion extra if all controls are lifted.

vaunted species, the relatively small, independent businessman. Such entrepreneurs own 80 percent of the deep gas discovered so far—and many continue to gamble their savings to explore for more.

What would happen if all gas prices were decontrolled? Owners of old gas—namely, the major oil companies—would, according to the CFA, gain up to $70 billion in windfall profits through higher prices. Gas prices to the consumer would probably stay just as high—though the incentives for looking for new gas would be reduced substantially.

This is what the oil companies want: immediate decontrol of all gas, old and new. As a fallback position, they say they are ready to accept "accelerated decontrol" of all gas. However, since NGPA controls on non-deep new gas (remember, there were 23 varieties) will expire January 1, 1985, this is nothing more than a code word for gutting the controls on old gas that otherwise would remain in effect. This is gas that was profitable to produce before 1977 at prices of less than $1.45/mcf; more than half the nation's production falls into this category.

The industry is doing more than just talking about decontrol. Political action committees representing oil and gas companies, as well as industry executives and investors, spent more than $7 million on the 1982 congressional elections. The biggest recipient was Texas Senator Lloyd Bentsen, a staunch decontrol supporter who got $143,000. President Reagan pledged his support for decontrol—without any windfall profits tax—in the 1980 election. This November he reiterated his desire for decontrol legislation in the next Congress.

The most superficially plausible argument for decontrol comes by way of analogy. When Reagan decontrolled oil prices over a year ago, infuriated liberals predicted gasoline soon would hit $2 a gallon. But in the last year, domestic oil exploration has increased while gasoline prices actually have declined slightly; those same congressmen

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are now paying an average of seven cents less per gallon when they send their interns out to fill up their tanks. Decontrol enthusiasts say the same thing will happen with natural gas.

A closer look reveals the apples/oranges analogy. Controls on domestic oil were self-defeating because they discouraged domestic exploration and, by creating a cushion of cheap domestic oil, made the importation of OPEC oil seem less painful than it really was. Decontrol stimulated domestic exploration, removed that cushion and reduced imports. This in turn put pressure on OPEC to moderate its prices.

The immediate decontrol of natural gas will have entirely different results. Removing price controls on domestic oil could increase our domestic oil resources; removing controls on old gas, by definition, can do *nothing* to increase old-gas supplies. The amount of gas classified as "old" under NGPA is finite, and letting its price suddenly rise would only encourage its faster depletion by producers in search of windfall profits. Finally, while drillers would still look for new gas, decontrol would dampen their enthusiasm since it destroys the current cushion of cheap old gas that now offers an extra incentive. In our efforts to substitute natural gas for OPEC oil, it's only sensible that we use old gas to help with the transition.

But there's a far more telling objection to immediately decontrolling all natural gas prices. Instead of real decontrol, the result would be just another kind of price fixing. Except in this case, it wouldn't be the government that determined the price of natural gas: the major oil companies would call the tune.

The Old Gas Shuffle

There are many obscure reasons your natural gas bill will be a lot higher this winter. But one reason is quite simple: the nation's pipeline companies appear to be breaking the law.

One of the main provisions of the Natural Gas Policy Act of 1978 was its continuation of federal price controls for "old gas"—that is, gas discovered before the law's enactment. Under the law, pre-1973 gas carries a maximum legal price of $1.07 per thousand cubic feet. Yet according to the Consumer Federation of America, the nation's 15 major pipeline companies are purchasing about 23 percent of their pre-1973 gas at prices substantially higher than the legal ceiling. The Natural Gas Pipeline Company of America is paying an average of $2.27 per thousand cubic feet; Columbia Gas Transmission Corp. is paying $2.04; Panhandle Eastern is paying $2.22. According to CFA director Ann Lower, whose findings are based on information the pipelines regularly supply to the Federal Energy Regulatory Commission, these apparent overcharges exceed $500 million a year.

Pipeline company officials offer two explanations, both of them dubious. The first is that the NGPA permits minor price hikes for natural gas that has a higher-than-average energy content. However, natural gas experts generally agree this so-called "BTU adjustment" rarely amounts to more than a few cents. The pipelines also claim that some of this gas comes from contracts signed with gas producers *before* 1973 but on which they did not make good until after 1978, when natural gas prices had roughly tripled. The pipelines' questionable business acumen in this matter notwithstanding, such an explanation begs a more obvious question: If this really is "new gas," why are the pipeline companies reporting it as old gas, risking some unpleasant questions by nosy FERC auditors?

The answer is that they have little to worry about, if FERC's response to Lower's study is any indication. Last August, Lower asked for a formal response from FERC. She has yet to receive one. Rochelle Patterson, a spokesperson for FERC, now claims that "the people in the enforcement division concluded that there was nothing in Lower's data that indicated any violation [of the law]." But no one in enforcement ever told Lower that; despite repeated requests, FERC officials still refuse to meet with her. Assistant General Counsel Gary Lloyd has a copy of the report, but apparently hasn't read it. Asked to explain why pipeline companies might be reporting extra-legal prices for gas, Lloyd claimed that it was "unclear" they were even misreporting. Pressed on how he had reached that conclusion, Lloyd admitted he had not discussed the matter with the pipeline companies themselves or even asked officials in his own agency who monitor the pipeline filings.

This behavior is most curious—particularly when FERC officials, after initially indicating Lower's criticisms had no merit, admitted several days later that an investigation of old-gas pricing had been going on for nearly a year. But Lloyd refuses to say if FERC has cause to believe the law is being broken. "They're investigating this but they're doing it their way" says Patterson.

And how quickly can consumers expect results? That's hard to say, though it is worth noting that last month the agency announced a $57 million settlement in another natural gas case. The violations occurred nearly ten years ago.

—*A. W.*

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This particular scam has the kind of devious elegance that's easy to miss when looking into the natural gas controversy. According to a 1981 survey of gas contracts conducted by the American Gas Association, something known as indefinite price escalators exist in 67 percent of the current gas contracts between producers and pipeline companies and in virtually all contracts written since the mid-1970s. Some of these clauses stipulate that upon the deregulation of natural gas, prices will rise to 110 percent of the price of number 2 fuel oil, natural gas's major competitor in industrial and home-heating markets. But in most cases the tie with oil is far more subtle: prices will rise to the same level as the highest price received by other gas producers in the vicinity.

This sounds innocent enough—until you realize that if even a few gas contracts in an area are tied to the price of number 2 fuel oil, they can touch off a chain reaction that will eventually pull up *all* gas. Officials of the American Gas Association, which represents pipeline companies, warn that a "critical mass" of contracts with the 110-percent clauses now exists to do just that.

So much for the free market. In effect, these contract provisions guarantee that the decontrolled price of natural gas will be forever higher than the price of oil—natural gas's *major competitor*! This is a little like ordering Chrysler to forever keep its prices above GM's. That would be good for GM, but far less desirable for struggling Chrysler—and disastrous for consumers.

Decontrol Delusions

If you're still skeptical about keeping the NGPA, consider the conclusions of Reagan's own Department of Energy. Earlier this year it conducted a study that wholeheartedly endorsed the immediate decontrol of natural gas prices. But when one examines the supposed "effects" of decontrol as outlined in the study, one gets the impression that DOE has been hiring some of its consultants out of Riyadh. Among the predicted results of the deregulation:

—"Consumer well-being declines by $79 billion because higher gas prices occur sooner."

—"Production from unconventional sources of gas is likely to be lower. In addition . . . overall production is somewhat lower in the late 1980s and 1990s compared to the NGPA."

—"Because of the more rapid depletion of current reserves. . . . oil imports are reduced in the early years of decontrol but increased in the later years."

With arguments like these from supporters of decontrol, one wonders how the oil industry's lobbyists ever expect to find a sympathetic ear in Congress. But in addition to the usual crew of free-market worshipers, the industry is getting assistance from some unusual quarters.

Among the oil companies' unlikely allies are the Conservation Foundation and the National Audubon Society—who favor decontrolling natural gas prices on the theory that it will discourage consumption, preserve a scarce resource, and stimulate the development of alternative sources such as solar energy. What they overlook is that natural gas is the best energy source to rely on in the transition to renewable fuels; the nation should be encouraging its production and consumption rather than doing the opposite.

The NGPA faces another danger: talk is beginning among some liberals in Congress to freeze all gas prices. But this approach runs the risk of ignoring the grim lessons of the 1970s, when stiff price controls on gas so discouraged exploration and production that widespread shortages developed, particularly in the winter of 1976-77.

Carter was right about one thing: America does need an energy policy. And as unexpected as its beneficial effects may have been, the NGPA offers an energy plan unlike most of the energy plans we've heard about in the past decade: one that works. It's a plan that involves not reams of computer printouts or a 20,000-employee department of energy, but a national commitment to match the cheapest and best-suited energy sources to our actual needs.

NGPA offers just that. Other than making a few minor adjustments, Congress should do what it seems to do so well with other matters of national importance: nothing at all. Of course, taking full advantage of natural gas's promise won't be quick or easy. The conversion to this abundant fuel will require an aggressive national effort and the removal of obstacles such as the 1978 law, passed during the throes of panic, that still prohibits some uses of gas. But the effort is more than worthwhile; not to make it would be to squander the only real chance we have to return to those pre-1973 days when inflation was low, energy was plentiful, and we could devote our money and resources to things far more important. ■

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TIDBITS AND OUTRAGES

Reaganomics Meets Churchill Downs

Last August, while thousands were out of work at International Harvester and Caterpillar because of the U.S. embargo against the Soviet pipeline, the administration quietly dropped a sanction prohibiting race-horse owners from importing thoroughbreds from the Soviet Union. Moreover, under the current import structure, duties imposed on purebreed animals of any kind are much less than those levied on animals lacking proper pedigrees.

But These Are Radar-Guided Ladders, With The Latest Avionics

The Air Force recently bought 71 aluminum ladders, each 10 feet long, to help pilots get in and out of the A-10 airplane. The cost was $120,000, or $1,676 each. The Air Force got a better deal on its F-15 ladders—they cost just $600 each. A 10-foot aluminum ladder costs about $100 at most hardware stores.

Trust Us

The commission on Accreditation for Corrections inspects and accredits prisons and other correctional facilities. Where does it get the money to finance its operations? From the institutions it evaluates. Who are the members of the commission? Officials of the institutions that are to be evaluated. The public is never involved in any aspect of the commission work and negative findings are never made public.

Elvis Presley Also Sent His Regrets

When CIA agent Edwin Wilson recently faced his first trial for Libyan arms smuggling, his lawyer, Harold Fahringer, submitted a list of people he wanted to subpoena as character witnesses. One of them was former AFL-CIO chief George Meany, who died three years ago.

Moola Moola

The following advertisement appeared recently in the *Yale Alumni Magazine*: "Let's say you have assets that have appreciated over the years: stock, real estate, even your house. By giving them to Yale you eliminate paying a capital gains tax, earn a substantial charitable deduction on your next return and reduce any eventual tax on your estate."

"Give Us This Day Our Daily Bread. . ."

On March 31, 1982, the House of Representatives voted 338-0 to establish a full-time chaplain. The chaplain's primary responsibility is to deliver a brief invocation at the beginning of each day's business. The job pays $52,000.

A Spokesman Explained That He Can't Fit All His Luggage Into Those Overhead Compartments

During his first eight months in office, J. Lynn Helms, administrator of the Federal Aviation Administration, did not take a single commercial flight. It wasn't that Helms was too busy at the office. In fact, he managed to fly enough in a Lockheed Jetstar and another agency plane to cost the FAA $417,000. If he had used commercial flights, according to the General Accounting Office, he would have saved the government $404,000.

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HAVING IT ALL

The Rise Of Government Unions And The Decline Of The Work Ethic

By Alan Crawford

On November 8, 1982, a government watchdog group known as the Citizen's Budget Commission did what it does best. It issued a report. "Once again, the city of New York faces serious financial problems ," the report observed, noting a projected $400 million deficit for the city in fiscal year 1983 and a $1.2 to $1.4 billion deficit in 1984.

This was about as new and exciting as George Steinbrenner firing another manager. What *was* new was the report's blunt talk about the major cause: the recently signed contracts that gave 180,000 non-uniformed workers and 35,000 uniformed employees wage hikes of 15 and 16 percent, respectively, over the next two years. The additional cost to the city for the hikes—which far exceeded projected inflation rates—was nearly $1.5 billion. "The sacrifices required to maintain the city's sound financial condition should be shared equitably," the report concluded. "The city should renegotiate the generous settlement[s]."

Alan Crawford is the author of Thunder on the Right: The 'New Right' and the Politics of Resentment.

Renegotiate the contracts? (Tear down Yankee Stadium?). This not only was blunt talk, it was a call to arms. The proposal quickly became a target for organized labor and its traditional sympathizers. Victor Gotbaum, president of the city's largest union—District Council 37 of the American Federation of State, County, and Municipal Employees—immediately denounced the report and called for increased federal and state aid to ease the fiscal crisis. *The Village Voice* labeled the commission a "good government group whose board . . . would not know how to live on the salary of a teacher, cop, or city secretary" and called the raises "overdue and fair." *The New York Times* in an editorial rejected immediate renegotiation, saying that service cutbacks and lay-offs were the city's only choices. And Mayor Ed Koch—who had negotiated the contract for non-uniformed workers in the heat of his unsuccessful bid to win the Democratic gubernatorial primary—announced he'd rather raise taxes and cut services first. Renegotiation would be a "last resort."

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Though the commission's call for renegotiation likely will go unheeded, it's noteworthy nonetheless. Reformers in the city that made "fiscal crisis" a household word finally had to recognize that enough is enough—and that after two decades of uninterrupted growth in government payrolls, it was time to get serious. "Even in 1975, at the height of the city's fiscal crisis, the most we advocated was deferral of scheduled wage increases," explains James Hartman, executive director of the Citizen's Budget Commission. "I think this [call for renegotiation] is unprecedented —I don't think it's happened anywhere in the country."

And there's the rub. It's hard to deny that governments of all shapes and stripes are in worse shape this year than they have been for decades. The federal government's projected $200 billion deficit aside, 17 states have been forced to raise some new taxes in the last year and 28 have imposed a hiring freeze or laid off workers or done both. Michigan, wracked with a 16 percent unemployment rate in the wake of the automobile industry's decline, recently had to make up a projected $615 million deficit by temporarily raising taxes by more than $200 million and slashing its budget—which meant more than 1,600 workers got their pink slips.

Such cuts at first may sound like a long overdue chance to thin the ranks of government employees who spend their time counting paper clips. Would that it were so. Unfortunately, most of these cutbacks are not affecting these workers but the ones who provide government's most necessary services. In New York the likely lay-off victims are workers who clean streets, run subways, catch criminals, and put out fires.

It's not that such cutbacks are anything new. A decade ago most branch libraries in Washington, D.C., were open 72 hours a week; today the figure is 40. New York has slightly fewer policemen today than it did in 1954—and more than twice as many serious crimes. Because of a lack of maintenance crews and money, subway delays in New York City have climbed from 29,000 in 1977 to 63,000 in 1981. Indeed, long before the recession and the property tax revolt, cities and states were suffering a slow, almost imperceptible crumbling of services—which now threatens to become an avalanche.

One would think all this might trigger some new behavior on the part of government employees. Guess again. According to the Bureau of Labor Statistics, first-year wage hikes in state and local contracts involving 5,000 or more employees averaged 7.6 percent in the first half of this year. That compares to 7.4 percent for all of 1981, when inflation was far more a factor than it is today. Even more telling is the comparison with wage settlements in the private sector for the first six months of 1982, which averaged about 3 percent. The American Federation of Teachers, for example, reports settlements averaging 6 to 8 percent and boasts several double-digit contract gains. AFSCME reports 8 to 10 percent gains for its largest locals. When it comes to pay hikes for public employees, New York isn't the exception—it's the rule.

How strong are the unions? In the last two decades, the unionization of the nation's state, local, and federal workers has been one of the less noticed but important stories of the time. AFSCME, which had 220,000 members in 1964, now boasts over 1 million and is the largest single union within the AFL-CIO. The American Federation of Teachers and the National Education Association claim 2.2 million members. Today, one in every six American workers is employed by some level of government, and more than half belong to a union.

The real mandarins of the public employees, of course, are federal civil servants. More than 28,000 federal workers now make over $57,000 a year, many of them in jobs that have the responsibility of a middle-level administrative worker who might earn $25,000 to $35,000 in private business. High civil servant wages are a major reason Washington, D.C.'s per capita income of $13,539 is second only to Alaska's. This figure actually understates the District's relative affluence because fringe benefits are substantially higher for federal employees than private ones. Federal workers are covered by a generous pension system that has the taxpayers kick in $4 for every $1 the employees contribute. Because of automatic cost-of-living adjustments, these pensions often give retired workers far more than they earned while working. James Walker, who retired in 1967 as a $17,000-a-year economist and now gets $29,000 a year, recently told *The Washington Post* that it was "more than I deserve and a hell of a lot more than I need."

But compensation is only part of the reason federal employment is so cushy. Between civil service rules and the efforts of unions such as the American Federation of Government Employees, federal workers are virtually fire-proof; the discharge rate for government service is less than one-seventh of 1 percent. More important, federal employees are immune to any meaningful judgments about their competence. Throughout the '70s, for example, the proportion of federal

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employees who annually received "merit" pay increases was 99 percent.

Altogether, it's one sweet deal: generous pay and benefits, lifetime job security, meaningless performance evaluation, and, last but not least, protection from all the swings of fortune that affect workers in private industry. In 1982 one in five American households had an unemployed member sometime during the year. Leonard Reed, a writer and a retired civil servant, calculates that the total number of federal employees Reagan's budget cuts have sent packing is about 9,500, or about one in every 240 households.

Municipal Immunity

State and local government workers haven't received nearly the critical attention that federal employees have, but, as New York City's plight amply demonstrated, they deserve it. Indeed, in the last decade the extraordinary rise of government unions has led to exactly the same problems in local and state government that now plague the federal civil service: excessive pay and unproductive workers. And the rise of these problems coincides with the increasing power of government unions, which now represent over half the country's 13 million state and local workers.

These unions were formed for largely justifiable reasons. In the 1940s the women who dominated the teaching profession were grossly underpaid; some in Southern states received less than $1,000 a year. Black workers were victimized by both racism and low pay. (When Martin Luther King was assassinated in Memphis he was there to march on behalf of mistreated garbagemen.) Hospital workers also received short-shrift.

But things have changed dramatically since those days; most public workers now are no worse off than private workers in wages, decidedly better off when it comes to fringe benefits, and have advantages employees in most private jobs can only dream of: virtual lifetime job security, insulation against lay-offs, pay regardless of performance, and almost minimal pressure to increase productivity. So when CORE activist James Farmer called public employees the "niggers of the '70s" in an effort to rally support for them during a walkout in Atlanta, Mayor Maynard Jackson and the city's predominately black middle class knew better and the walkout was a resounding flop.

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And with good reason, given what many government employees are now earning and what the public is getting in return. Teachers in Philadelphia, for example,make an average of almost $30,000 for a nine-month year; they also have one of the highest absentee rates in the nation, which further burdens taxpayers because schools must pay substitute teachers to replace them. Clerks who dispense subway tokens in New York start at $6.92 an hour and within two years make $8.78; last year the New York Transit Authority received more than 20,000 applications for 400 new positions.

Then there are the fringe benefits. Los Angeles's Department of Finance estimates that by 1990 pension payments will be equal to 95 percent of its payroll costs; unlike the vast bulk of private pensions, the city's are indexed to inflation. The same is true in Washington, D.C.: If the city's recently retired fire chief lives to 77 he will have received more than $1 million in pension benefits.

New York City's pension costs also will increase dramatically—the result of pension plans that make the U.S. military's system look stingy by comparison. In that system, soldiers can retire at half pay after just 20 years. Sanitation workers, policemen, firemen, and bus drivers in New York get the same deal—except their pensions are based on their last year's earnings, *including overtime*. Reports by the New York Comptroller's Office in recent years have repeatedly documented dramatic increases of overtime in a worker's last year of work, which often resulted in pensions that were higher than his average earnings while working. One employee for the New York Transit Authority chalked up $51,000 his last year—more than double his normal salary.

To maintain the standard of living to which their members have grown accustomed, unions have employed a strategy over the years that is wholly logical from their point of view. In the face of budget restraint they've sacrificed the jobs of some members in order to keep salaries and benefits high for the rest. The laid-off workers tend to be the youngest and least powerful in the union, and any union leader who wishes to hang on to his post is not about to tell senior workers they should take a temporary pay cut to keep everyone working. When union leaders for Boston firemen recently agreed to some minor concessions, their angry members threw them out of office.

While union workers preserve their status, the public loses both ways: it pays substantially higher taxes for fewer services. Garbage doesn't get picked up as often; firemen take longer to reach a burning building; lines are longer when one applies for a building permit. But even more vexing is that government unions help ensure that, in the face of financial cutbacks, the most efficient way to deliver services won't be used. For to do so would be to violate a central tenet of public-employee unionism: workers should not be judged or rewarded for the quality of the work they do.

This attitude may be self-defeating, but it prevails in most cities. When Washington, D.C. public schools recently considered a plan to give "merit pay" increases only to teachers who had received ratings better than "satisfactory" after six years, the local teachers union hit the roof. Albert Shanker, president of the American Federation of Teachers, said such quality distinctions were impossible to make and would "demoralize" teachers who didn't get the bonuses. Instead of paying teachers according to their performance, teachers unions insist on paying them according to seniority and the possession of additional academic degrees. So if an incompetent teacher happens to have a Ph.D. in educational psychology, he'll receive substantially more than a colleague with the same experience who may be the finest teacher in the school but who lacks the same academic credentials. In the teachers-union world, of course, this does not "demoralize" the good teacher; it merely makes him want to go out and get a degree of his own, no matter how irrelevant it might be.

Promotion of bus mechanics in the District of Columbia's Metrobus system makes about as much sense. Supervisors must rely on the results of a written test and cannot take actual job performance into account. Police and firemen in Texas are promoted under the auspices of State Law 1269 M, which dictates promotions on the basis seniority.

In the absence of performance standards, the result is predictable: government employees essentially have their jobs as long as they want them. The Philadelphia school system has fired just 24 of 13,000 employees for incompetence in the last six years—about four a year. Contract provisions there and in most school districts make firing a bad teacher so arduous that it often takes up to two years to claw one's way through the procedural hearings and evaluations.

Teachers aren't even the worst of the lot. Recently the New York transit authority installed a new computer system that helped discover more than 30 token-takers who owed the Authority more than $1,000. The agency dismissed the workers on the theory that they were either incompetent or crooked. The union protested and

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took the proceedings to arbitration, contending that since the rule against shortfalls had not been enforced for so long, employees first should have received a notice telling them such behavior was improper. An arbitrator bought the argument and reinstated the workers.

Performance evaluation isn't always fair or easy, and some workers are easier to evaluate than others. A bus mechanic can be judged by speed and number of mistakes; the efficiency of a government bureaucrat who spends the day writing memos is more difficult to assess. Indeed, too many memos may indicate that the worker has nothing productive to do.

What unions do is take the arguably difficult task of judging employees and then insist that it's not only difficult, but somehow undesirable. To the public employees union, there are just two kinds of workers: those who are doing their job, and those who aren't. All of the former should be paid and given automatic raises, if possible, through COLAs and other escalators regardless of whether they're making a minimal effort or going out of their way. The latter presumably should be fired—but only if the government is willing to negotiate the time-consuming process that unions insist must precede any dismissal. And, even in that case, the unions will defend the worker; he is, after all, a member of the union.

AFSCME No More Questions

For years, conservatives have enjoyed skewering government unions but liberals have been conspicuously mute on the subject. So while public employees insist they be seen in the same light as the coal miners of the 1920s—oppressed workers struggling mightily against greedy bosses—Democratic politicians and most of the media have usually acquiesced in this fantasy.

There's a very good reason for this silent acceptance: those who shape public opinion are themselves part of the problem. Teachers and academicians, for example, enjoy the same isolation from performance evaluation through the tenure system. Among public school teachers, tenure commonly comes after just three years experience.

An even bigger culprit is the press, and a good example of the blinders it wears when it comes to government employees is provided by *The Washington Post*. Over the years it has seldom questioned the claims of federal workers seeking more civil service protection, higher pay, and ever-more-generous pensions. When federal workers demanded hefty raises on the pretense that there was a massive exodus of skilled federal workers from government, *Post* reporters accepted the pretense as fact. They didn't investigate the matter to discover that only a tiny percentage of federal employees fall into this category and that competition for most federal jobs is keen.

A similar blindness occurs with pensions. During the 1970s pensions for federal civil servants skyrocketed; in 1972 they cost $3.2 billion and in 1982 they cost $18.2 billion. Unless automatic cost-of-living adjustments are altered, pensions will go to $31 billion by 1990. Though the *Post* this summer called for federal pensioners to share in the government's budget cuts, the most courage it could muster was to call for a "thorough review" of the problem, repeating the canard that "the government needs adequate pension plans in order to recruit and retain high quality military and civilian personnel." This overlooks the fact that the government's difficulty in keeping people is often the result of workers taking advantage of the generous pension plan by retiring at 55, so they can find another job—thereby qualifying for social security as well.

Nearly 20 percent of the *Post*'s readers work for the federal government, a figure that obviously doesn't include those who work for local governments in the Washington area. But an even stronger reason for the *Post*'s kid-gloves approach is more personal: many reporters and editors believe they're entitled to exactly the same protections afforded civil servants.

Nothing better illustrates this than the Washington-Baltimore newspaper guild's proposal for a new *Post* contract. Among the guild's demands: a 28-hour work week with double-time pay for any work beyond that; five weeks of vacation a year; a 13-week paid vacation every five years; a nine-month sabbatical at half-pay for writing a book; promotions on the basis of seniority; bumping rights whereby laid-off employees can take the jobs of less senior workers with no loss of pay; and the right to arbitration in any firing proceedings. Reporters at the *Post* are entitled to a minimum of almost $30,000 a year after four years, but most get more.

The New York Times is no different—except that a reporter with two years' experience can expect a minimum salary of almost $40,000. And, like the *Post*, the *Times* historically has been noticeably sympathetic in its news coverage and editorials to government unions and their leaders.

The way the press has been co-opted on this issue was aptly illustrated in the person of the late Jerry Wurf, former president of AFSCME. Wurf began organizing poorly paid cafeteria workers in

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Manhattan during the 1940s. By the time he died in 1981 he was the head of one of the nation's most powerful unions.

If Wurf was unrelenting in his efforts to win higher wages and benefits for his members while protecting them against performance standards, he endeared himself to many reporters with his liberal politics. He opposed the Vietnam War—often casting the only vote against it at AFL-CIO conventions. His politics were more liberal than most union leaders, and he was one of George Meany's most adamant foes.

But, perhaps most important, Wurf shared many of the prejudices of those who made their living covering him. He once referred to some fellow union members as "those goddamn bums in the building trades." And while he was colorful, profane, and quotable, he was also cultured. In a 1976 profile in *The New York Times Magazine*—whose headline, "How Jerry Wurf Walks on Water" left little doubt as to its sympathies—one of AFSCME's former executive secretaries, Paul Myer, was quoted approvingly as saying, "Jerry enjoys having the public think he's a coarse labor goon—but a lot of that is for effect . . . I learned a great deal about good wines and good foods from Jerry, and a lot about music and literature too. He's a guy who can be as comfortable with Elliot Richardson at the Court of St. James as he can be with a garbage collector in Memphis."

Wurf was more than just urbane, articulate, and liberal; he had a shrewd sense of the public's limits of tolerance. For example, he opposed the right to strike for firemen and policemen even though unionists like Meany taunted him for giving up this basic bargaining tool. But Wurf correctly appreciated that nothing will alienate public opinion faster than reports on the evening news of children and widows dying in their homes while firefighters stand idly by because they want more money.

The press' negligence also is reflected in the same people whom the public trusts to keep a close eye on government workers: the politicians. So many taxpayers are themselves public employees that politicians curry their favor rather than scrutinize their behavior. In many states teachers unions are the largest single source of money for legislative candidates; the recipients of this largesse obviously aren't on the front lines lobbying for stiffer competency standards for teachers and changes in the collective bargaining laws that would help link performance to pay. New York City's AFSCME leader, Victor Gotbaum, has boasted, "There's no question about it. We have the ability to elect our own boss." Elected officials are well aware of this; in 1975, Philadelphia Mayor Frank Rizzo gave a 12.8 percent pay raise to the city's civil servants two weeks before his crucial primary election. And Ed Koch's capitulation to the unions was directly tied to his hope of winning the New York governorship. But Koch unexpectedly lost—evidentally forgetting that workers might be so grateful for his generosity that they wouldn't want him to leave for Albany.

Unions to City: Drop Dead

The result of this conspiracy of interests is that taxpayers end up getting far less than what they thought they'd bargained for. Rather than going to protect them from criminals or pick up their garbage, tax dollars are being used to keep unnecessary government employees on the payroll while services decline.

You knew it was coming . . . Yes, featherbedding by government unions is also a big problem. On the federal level, the most telling example was revealed in the wake of the 1981 strike by air traffic controllers. For some obscure reason, the controllers' union had insisted that staffing be on the basis of the 34th busiest day of the year—which meant that for much of the time controllers didn't have much to do. When this rule was abolished after the strike, 80 percent of the original traffic was handled by half the previous number of controllers.

The government could have saved money by hiring part-time air traffic controllers but the union contract prevented it. Similar prohibitions plague transit systems across the country that would prefer to hire part-time drivers for the morning and evening rush hours. Major systems like Chicago and New York still prohibit part-time bus drivers, and in some cities where they are allowed, union opposition has been fierce. Bus drivers in Los Angeles recently staged a five-day strike over the issue of additional part-time drivers. Though an arbitrator allowed the transit district to increase its part-time staff from 290 to 930, he stipulated that the number of full-time drivers could not drop below 4,090.

A variant of the "peak staffing" provisions in union contracts are "manning requirements." For example, because of contract provisions, New York City firetrucks can't leave the station without at least five firefighters, even though the city says fewer could do the job. Also in New York, a bitter battle was fought several years ago over the city's effort to replace three-man sanitation trucks with some manned by only two workers. The city finally won, and though it had to assuage the

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A tenet of government unionism is that workers should not be judged or rewarded on the quality of the work they do.

union with additional pay, it saved money. But even before the change, New York City was a paragon of efficiency compared to Rochester, New York, where union contracts specified five workers to a garbage crew. With so many garbagemen falling over one another, it became standard operating procedure to drop one man off to play Pac-man or nurse a beer for a few hours while the others collected garbage.

Then there's the phenomenon of two-man police cars. Over the years police forces have experienced a natural progression: from the officer walking the beat to the motorcycle cop to the policeman patrolling in a car. Many cities have gone one step further, putting two men in a patrol car, usually at the insistence of the police union. Yet an exhaustive study of the San Diego Police Department by the Police Foundation demonstrated there is virtually no difference in officer safety and effectiveness between a one-man and a two-man patrol car—though the latter costs nearly twice as much.

Has *any* city recognized the folly of capitulating to the public unions? A few. The best example comes from the Metropolitan Boston Transit Authority. Through the 1970s, the system was slowly crumbling. Service had been curtailed and necessary maintenance postponed while emergency infusions of cash were needed periodically to meet automatic cost-of-living allowances that were paid every quarter. Some subway operators made more than $50,000 a year. The MBTA contract further stipulated that all promotions were to be on the basis of seniority, with meaningful tests of ability prohibited; all overtime was awarded on the same basis. If the MBTA needed workers to stay overtime to fix a subway car, it was required to call the system's most senior employee first, even if he was 40 miles away. The authority, of course, also paid him for travel time.

In December 1980, these longstanding problems precipitated a major crisis as the system was forced to shut down. When the union refused to negotiate major changes, the MBTA took its case to the legislature, where none other than liberal Barney Frank championed its cause. The result was a series of sweeping changes that abolished archaic work rules and reduced costs substantially.

In the case of the MBTA, it was clear even to traditional union supporters that the situation had gotten out of hand. Unfortunately, few were willing to extend the same lesson to other government unions. Robert Kiley, MBTA's former president and a leading Massachusetts Democrat, explains, "Most liberals during the crisis got around asking the really tough questions by saying the transit workers were unique. The larger question—whether they were an extreme example of a more basic problem—was never really raised."

But that question needs to be raised—particularly as an increasing number of cities and states are whipsawed by declining revenues and increased need for city services. During New York's 1975 fiscal crisis, President Ford could tell the city to "drop dead," but Congress was still there to bail it out. With today's federal deficit, Congress not only would have to give Ford's same message to New York—it may be forced to give it to Detroit, Cleveland, Boston, San Francisco, and other beleaguered cities and states. As the Citizen's Budget Commission of New York City observed, while state and federal aid are desirable, they're also unlikely. New York, it concluded, would have to settle its problems by itself.

So will everyone else. Moreover, it should be clear that the necessary changes go beyond requiring that wage and benefit increases be tied to productivity gains in providing services. Even more important is smashing one of the underlying premises of government unions: that those who work for the public should somehow be protected from the same performance standards workers in private industry must meet each day. Setting up those standards may be difficult, but it is absolutely necessary.

The public can no longer afford—and never should have been asked to tolerate—featherbedded police and fire crews, automatic wage increases divorced from productivity gains, and work rules that make the deterioration of service inevitable while costs continue to climb. The question is when will labor's traditional supporters realize this—and begin to heed the call for sanity now coming out of New York. ■

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WHO'S WHO in the Administration

Budget director **David Stockman** may know the numbers better than anyone else, but he has never regained the credibility he lost because of the contrast between what he said to congressmen and what he told **William Greider**. There's growing speculation he'll soon be departing. The two most likely replacements are White House Deputy Chief of Staff **Richard G. Darman** and Secretary of Transportation **Drew Lewis**, and who prevails in the succession battle will be a key litmus test of the importance loyalty will play as the Reagan administration begins preparing for the 1984 election.

Darman's experience in top posts at Defense, Justice, Commerce, and the old HEW would bring an understanding of how the budget game is played throughout the government. Yet for all his considerable talents, Darman is forever tainted for Reagan loyalists by his long history as a protege of **Elliot Richardson**, whose various sins in their eyes range from his refusing to fire special prosecutor **Archibald Cox** to his recent role in negotiating the Law of the Sea Treaty, which Reagan scuttled shortly after taking office.

Lewis, as a certified pre-1980 convention Reaganite, passes the Nofziger loyalty test. And, in addition to showing considerable courage in standing up to PATCO, he has shown silken skill in handling the Washington press, Congress, and Ronald Reagan. His critics concede all this but point out that he is flirting with employment possibilities in the private sector and ask why he has failed to make any permanent improvements in the FAA, one of the government's worst agencies. The controllers were wrong to strike, but not in many of their complaints about the agency.

The recent rumors of a struggle between **Helene von Damm** and **James Baker** remind Washington veterans of the war that used to rage between Kennedy aides **Ken O'Donnell** and **Evelyn Lincoln**, one of the historic White House struggles for the control of access to the prince.

While the rumor about Stockman's departure may have some basis, those that swirled around another presidential assistant, **Richard Williamson**, last summer turned out to be unfounded. The press had concluded that because Williamson was out of town at a key moment in the tax bill's perilous travels through Congress, that he must have lost his clout. What had really happened was that Williamson had a longstanding reservation at one of the National Park Services' VIP hideaways, a much sought-after White House perk, and was not willing or expected to give up such a goody for a mere tax bill.

In

DEFENSE

Deputy Secretary—**William Paul Thayer** has been chairman of LTV Corp., a military contractor and aerospace and energy conglomerate in Dallas.

ENERGY

Assistant Secretary for Management and Administration—**Martha O. Hesse** has been associate deputy secretary for the Department of Commerce.

LABOR

Chairman, National Labor Relations Board—**Donald L. Dotson** has been assistant secretary for the department's office of labor management relations.

Member, NLRB—**Patricia Diaz Dennis** has been assistant general attorney for American Broadcasting Company.

STATE

Assistant Secretary for European Affairs—**Richard R. Burt** has been director of the department's bureau of political-military affairs.

Ambassador to Ecuador—**Samuel F. Hart** has been director of the department's office of Andean affairs.

AGENCIES AND COMMISSIONS

President, Federal National Mortgage Association—**Robert J. Mylod** has been president of the Advanced Mortgage Corporation in Chicago.

Member, Civil Aeronautics Board—**Diane K. Morales** has been a deputy assistant secretary for policy in the Department of the Interior.

Member, Federal Trade Commission—**George W. Douglas** has been president of Southwest Econometrics in Texas.

VETERANS ADMINISTRATION

Administrator—**Harry N. Walters** has been assistant secretary of Army for manpower and reserve affairs.

Out

DEFENSE

Deputy Secretary—**Frank C. Carlucci** has resigned.

ENERGY

Assistant Secretary for Management and Administration—**William S. Heffelfinger** will return to his post as the department's director of administration.

INTERIOR

Director of Bureau of Mines—**Robert C. Horton** has resigned.

AGENCIES AND COMMISSIONS

President, Federal National Mortgage Association—**James E. Murray** is returning to private law practice.

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All Purpose News Story, Part III

Candidate Misspoke About Retraction, Aides Allege

By Gregg Easterbrook
Special to TWM

CROCK POT, Wisc.—Presidential hopeful (1) committed another verbal gaffe today, telling a campaign audience that " (2) ." This was seen as an apparent contradiction of his earlier statement, " (3) ," made in a televised debate with one of the ___, ___ other nomination contenders.

Aides scrambled to convince reporters that the candidate's state ments should not be (4)

Appearing at his ___ lunch of the day on a whirlwind campaign tour, the candidate spoke before the (5) , where he accepted the (6) . He told the predominantly conservative group he favors (7) . Just hours before, however, he told an audience of liberal voters that he supports (8) .

Later, the candidate sounded a new campaign theme, declaring, "Today our country is in grave danger of losing (9) . We must immediately begin large-scale production of (10) ." Sources close to the campaign said this strident new theme was meant to show the candidate as a tough man "who's not afraid to stand up to the Russians." However, aides noted, the candidate will still avoid any confrontation with (11)

Asked about the latest polls, which show him (12) , the candidate quickly responded that (13) . He said he did not expect to be seriously damaged by recent disclosure of his (14) .

A key test will come, aides said, at next week's (15) , where the candidate has promised a new hydro-electric dam, post office, deep-water port facility and S.A.C. air base for the votes of (16) .

Meanwhile he rejected criticism that he had begun full-time campaigning too far in advance of the actual nomination process. "The incumbent president has mired this country in unprecedented depths of economic problems, international crisis and (17) ," he said. "Haven't two weeks of these disastrous policies been enough?"

Story Answers

(1) Roger Staubach
Paul Volcker
Diane von Furstenberg

(2) "Afghanistan is more free than Poland."
"I have lusted in my heart after congressional pages."
"Tree pollution causes acid rain."

(3) "Poland is Afghanistan's Vietnam."
"I will never lie on the American people."
"If all the dollar bills in the federal deficit were stacked in a pile, they would fall over."

(4) taken out of context
taken in context
quoted for attribution

(5) American Association of Productive Investors
New York City Conference of Open-Minded Intellectuals
National Association of Upper-Income Heads of Householders in Targeted Zip Codes

(6) William Agee Award for Economic Leadership
Edward Koch Citation for Humility
Demograph of the Year Award

(7) summary execution of social workers
the gold standard for school lunches
mandatory pregnancy

(8) banning of chemical additives in used cars
federally funded day-care centers for golden retrievers
free rock concert tickets for juvenile delinquents

(9) World War III
World Wars IV through VIII
Super Bowl XVII

(10) nuclear warheads that can be purchased with credit cards
made-for-TV movies that kill people but leave coffee tables unharmed
breeder reactors we can give to Russia as gifts

(11) realtors' PACs
the Teamsters
middle-class social security recipients

(12) up 0.000057%
down .003048%
either holding his ground or gaining or losing, possibly

(13) the only poll that counts is the one on election day
polls are the voice of the people
his own private poll showed that he is already president

(14) financial misdealings with his illegitimate children
videotaped group grope with three Arabians disguised as FBI agents
conviction for treason

(15) preliminary Iowa caucus scheduling session
New Hampshire polling place site selection meeting
Puerto Rico 4-H Club Grandfathers' Day Dinner straw ballot

(16) two sorghum farmers
three retired highway patrolmen
Ed Quintero, honorary master of ceremony

(17) bad weather
lack of parking places
women with headaches

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BEYOND DUMPING: The Surprisin

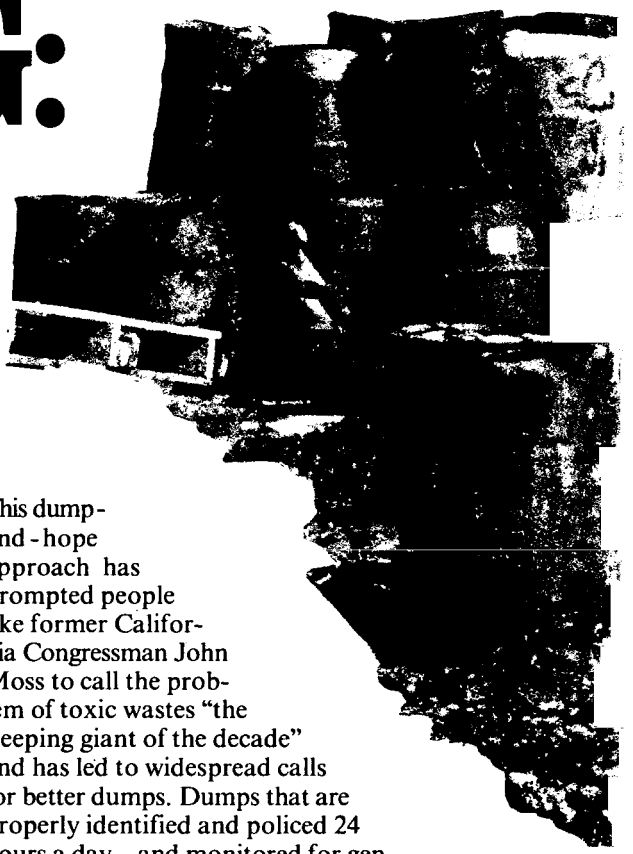
By Bruce Piasecki

A familiar advertisement by Monsanto proclaims, "without chemicals, life itself would be impossible." Without toxic wastes, life would still be possible, but it certainly would be bleaker.

This isn't an apology for the 77 billion pounds of these wastes that are produced each year in the United States, but a realization that they have become an integral part of our daily life. Sulfuric acid and mercury are inevitable by-products of the pulp and paper industry. The manufacture of life-saving drugs produces zinc and other heavy metals. The textile industry generates toxic dyes and organic chlorine. Even the common doorknob requires electroplating, which generates large volumes of rinse waters and sludges laced with cyanide. For America's major industries, toxic wastes are as ubiquitous and inevitable as the garbage trucks that prowl through America's neighborhoods each morning to cart away old newspapers, broken egg shells, and other assorted trash.

Just because we generate toxic wastes doesn't mean they have to kill us. But as Love Canal and a host of other examples demonstrate, they're doing just that, though that should come as no surprise when you consider what we do with our lead, mercury, chlorinated hydrocarbons, PCBs benzene, cyanides, and various other poisons. For the most part we simply dump them—into landfills, abandoned wells, holding ponds, open fields, and even old Titan missile silos. And then we cross our fingers and hope for the best.

Bruce Piasecki teaches at Clarkson College of Technology in Potsdam, New York, and is now editing a book on toxic waste controls.



This dump-and-hope approach has prompted people like former California Congressman John Moss to call the problem of toxic wastes "the sleeping giant of the decade" and has led to widespread calls for better dumps. Dumps that are properly identified and policed 24 hours a day—and monitored for generations. Dumps that confine waste in corrosion-resistant containers. Dumps with impermeable liners to prevent groundwater contamination. Dumps that aren't right next door to housing developments, drinking water supplies, and children's playgrounds.

But dumps nevertheless. Yet as the toxic waste cognoscenti know, the search for the perfect dump is about as fruitful as trying to build a perpetual motion machine. Containers corrode and leak. Rainwater seeps into underground storage areas. Aquifers supplying drinking water eventually become contaminated. In one case in Texas, for example, wastes supposedly pumped into a 9,000-foot-deep well came back to haunt nearby residents in their kitchen sinks. A report by Princeton University's Hazardous Waste Research Program last summer graphically illustrated the problem:

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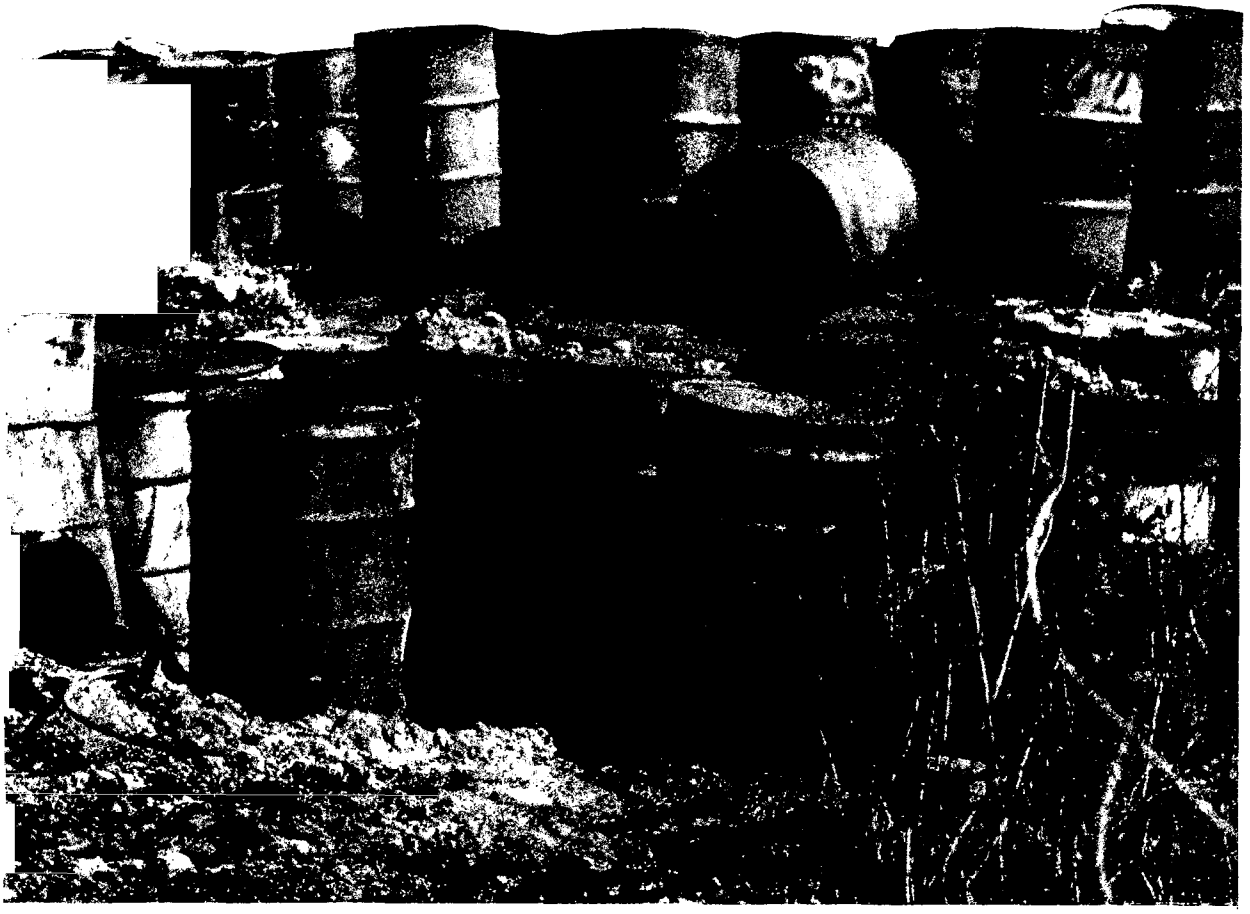
Solution To The Love Canal Problem



among state-of-the-art landfills that far exceeded current federal standards, some were leaking large amounts of contaminants after only two years of use.

The lesson in all this is obvious but usually overlooked. The last thing we should do with our toxic wastes is figure out the best way to dump them. Instead, we should do something safer and far more sensible: turn them into harmless chemicals and make some money selling what's left over.

Before dismissing this as a modern day version of the alchemist's lead-into-gold fantasy, consider one thing: detoxification of hazardous waste happens to be standard operating procedure in much of the rest of the industrial world. In the Netherlands, the Chemical Waste Act of 1976 explicitly prohibited the dumping of a wide range of toxic wastes, a ban that has since spawned a thriving waste detoxification business. In Denmark, the Kommunekemi plant handles every toxic waste in the country. And if it can't destroy or recycle a particular waste, the Danes don't dump it—they put it in storage until they can find a way to treat it.

Holland and Denmark are not exactly world-class industrial powers—like West Germany, for example. But those who doubt that detoxification is both effective and economical need only visit any of that country's 15 waste treatment facilities, which are operated as part of a coordinated national program. The West Germans detoxify 85 percent of all their hazardous wastes. To them, detoxification has virtues beyond merely protecting their citizens. For example, through a process known as "chlorinolysis" the Farbwerke Hoechst

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company converts chlorinated hydrocarbons (a group of chemicals that includes PCBs, a known carcinogen; DDT-related pesticides; and kepone) and other toxic residues from organic chemical production into useful substances such as carbon tetrachloride, a valuable solvent used as a degreaser for machine parts and in other industrial processes. The company detoxifies about 8,000 tons of waste each year through chlorinolysis, but it has even grander ambitions. Hoechst recently began construction of a new plant that can handle 50,000 tons per year—allowing it to start *importing* wastes from other European producers.

West Germany's example hasn't gone unnoticed in at least one corner of the United States. In 1981 California Governor Jerry Brown appointed a special Toxic Waste Group to examine alternatives for the 1.3 million tons of hazardous wastes disposed annually in the state's landfills. Prepared in cooperation with representatives from Dow Chemical, Friends of the Earth, and various academic institutions, the report concluded that 75 percent of California's toxic wastes could economically be recycled, treated, or detoxified. Brown since has established a low-interest loan program for building detoxification facilities; to discourage dumping he has instituted new dumping rules and increased the state's landfill tax by 600 percent. Hit with additional charges of $4 million, Chevron and Getty are now dumping far less waste. "We don't like to refer to these regulations as *banning* dumping," explains Gary Davis, a waste management specialist for the state. "But that is what they are meant to do eventually for California."

Before you assume California's anti-dumping crusade will cause many beleaguered manufacturers to throw in the towel, consider the numbers. California industry now spends about $17 million to dispose of its high-priority wastes in landfills, and that will increase in the next two years to about $30 million. Using alternative treatment technology for this high-priority waste will cost only about $50 million a year, the state estimates. The additional $20-30 million annual cost will be spread among almost 4,000 California businesses with gross sales exceeding $30 billion. The two biggest waste generators—the chemical and petroleum industries—also have the highest profit margins of all other manufacturers. "There are no good reasons why the entire nation shouldn't rectify its toxic predicament by the end of this decade," Governor Brown says. "The knowledge is there. The tools have been developed. All that is required now is the political will."

Toxic-change Operations

California still dumps most of its toxic wastes, but compared to the rest of the United States, it's a pioneer. After producing three times as much toxic waste per citizen as West Germany, American industry proceeds to dump 80 percent of it into unlined surface impoundments (pits, ponds and lagoons) and unsecured landfills. Less than 20 percent is treated in any way, and the most common method—incineration—is often conducted under uncontrolled conditions that transfer the toxics into the atmosphere.

For a country that prides itself on its technological sophistication, this enthusiasm for dumping is not only appalling, but downright mystifying. It's especially so when one considers how relatively simple, inexpensive, and elegant some of the best detoxification techniques are.

For example, until recently waste water and sludges contaminated with heavy metals such as lead, nickel, and mercury could be detoxified only at exorbitant cost. These wastes were usually dumped in holding ponds and landfills, but because of their persistence often worked their way into water supplies and the food chain.

In 1978 L.J. Bailin of Lockheed Missiles and Space Company, Inc. developed a technique called microwave plasma detoxification that treats heavy metals with the same ease that microwave ovens handle baked potatoes. A neutral gas, usually pure oxygen, is irradiated with microwaves. This transforms the gas molecules into a highly reactive state, causing them to combine with the heavy metals, which break into harmless compounds and marketable grades of scarce metals. The MWP process can also be applied to deadly wastes such as kepone, DDT-related pesticides, and dioxin, and recent research endorses this process for the detoxification of cancer-causing nitrosamines and nerve poisons from the military.

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The real beauty of MWP is both its ease and its relatively low cost. The process produces no troublesome emissions and eliminates unnecessary transportation of wastes; prototype trucks have been developed that can detoxify 50-100 pounds of these wastes per hour at the dump site. At a cost of about $400 per wet metric ton, MWP at first might seem uncompetitive with landfill costs of about $40 a ton. But the $400/ton figure is for a very early prototype; a recent EPA report estimated the widespread use of MWP and the resulting improvements in design could decrease costs "by a factor of 10." The cost of dumping will move in the opposite direction as regulations get tougher and existing landfills reach capacity.

Other wastes can be treated biologically. This approach has been of limited value until recently because most biological agents have been appropriate only for very dilute wastes. But new mutant bacteria—known as "superbugs"—can now handle several thousand times the toxic concentration of their precursors. One new culture can remove cyanide wastes from coking operations at steel mills for only two cents per thousand gallons of waste water. A mixture of several other microbes feeds on 2,4,5-T, the toxic component of the defoliant Agent Orange. Yet another superbug eats benzene, the ubiquitous carcinogen once used as a chemical feedstock to produce PCBs, pesticides, linoleum, and varnishes.

Unfortunately, these new superbugs are doing little while the wastes they could render harmless remain a hazard. The Air Force spends more than $100,000 a year monitoring 2.3 million gallons of stockpiled Agent Orange; each day an estimated fifteen 55-gallon drums develop new leaks. Massive stockpiles of benzene are now being dumped into landfills, even though the chemical quickly vaporizes and, when exposed to sunlight, produces a toxic smog.

Dumping Über Alles

So where are all the MWP trucks, the chlorinolysis plants, the new superbugs? For the most part, they're stuck on the drawing boards or in the laboratory while hazardous waste dumping continues to increase at a distinctly unhealthy clip. This would be dismaying enough were it not for another thing: the very federal agency ostensibly responsible for doing something to solve the hazardous waste problem is working to make sure things stay that way.

The particular agency is the Environmental Protection Agency which, in all fairness, had almost nothing to do with hazardous wastes until 1978. Before then, dumping was largely the responsibility of individual states, some of which regulated toxic waste dumping and some of which made it clear to dumpers that as long as their enforcers didn't see anything, no one would make any trouble.

But by 1978, shamed by disclosures about Love Canal, Congress had ordered the EPA to set up uniform federal standards governing toxic waste dumping. The purpose of the law went beyond cleaning up old, contaminated dumps and making new ones more secure. Congress hoped stricter regulations, by forcing toxic waste producers to pay higher dumping costs, would spur detoxification efforts.

Congress was thus addressing the major reason detoxification has been virtually ignored by American producers while the Europeans have been busy building integrated treatment centers. Dumping is too cheap and too easy. A good example of the problem is found in the textile industry, which annually produces nearly 200,000 wet metric tons of hazardous waste laced with toxic dyes, organic chlorine, and heavy metals. A recent analysis of the textile industry by Booz-Allen and Hamilton, EPA's major consulting firm, estimated that these wastes could be reduced nearly 80 percent while adding less than one percent to total production costs. Yet textile companies have done almost nothing; as the report subtly suggests, a company would have to be foolish to add this burden in the absence of any EPA regulations restricting dumping.

For the same reason, no commercial-scale chlorinolysis plant exists in America, despite the process's proven track record in Europe. Chlorinolysis detoxifies chlorinated hydrocarbons (a family of chemicals that are usually used in agriculture) by subjecting them to high pressure and low temperatures. The EPA estimates the process would add less than one percent to manufacturing costs. Yet while these wastes pose one of the greatest hazards in landfills—and some, like Agent Orange, are considered *too* toxic for existing landfills—in the absence of stiffer federal regulations there is little economic incentive for a company to use this technique.

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The Carter EPA began to change these incentives through stricter dumping regulations that have caused landfill charges to at least double at most sites. Carter also moved to tighten something known as the "small generator provision," which, pound for pound, is the most serious loophole in current toxic waste regulations. Of the 760,000 toxic waste producers in America, 695,000 are still exempt from most regulations because they generate less than 2,200 pounds (1,000 kilograms) of hazardous wastes per month. According to the Office of Technology Assessment, more than 6.5 billion pounds of toxics a year are thus exempt from all federal regulations. In May 1980 the EPA announced it intended to reduce the threshold to just 220 pounds within two years.

These were only tentative steps toward detoxification, and hardly in the same league as California's virtual declaration of war against dumping. (California, for example, has no small generator exemption.) But at least they were steps in the right direction. Encouraged by signs from Washington, many businesses began to develop detoxification technology to capture a part of what they predicted would be a fast-growing market.

With All Deliberate Speed

Many criticisms—some deserved, some not—have been leveled against the Environmental Protection Agency since Anne Gorsuch took its helm. But when it comes to toxic waste disposal, there's no room for equivocation: the agency's record has been inexcusable. Within only a few months Gorsuch made it clear that she thought her job was not to encourage detoxification but to make dumping as easy—and therefore as cheap—as she could.

Gorsuch took one step toward this end in the case of liquid waste dumping. In the years after Love Canal many states prohibited the dumping of liquid wastes in landfills. The reason was simple. Liquids contaminate much faster than solids; moreover, when they leak from storage, the drums that once contained them often crush under the weight of the overlying earth. This in turn breaks the seal of dirt and metal designed to restrict water from entering the landfill. The water then mixes with the toxic chemicals and contaminates adjoining groundwater supplies.

By 1981, 11 states, including New York and Michigan, had banned liquid dumping in their major commercial landfills. This forced thousands of companies to treat their wastes by transforming them into easier-to-handle solids or by detoxifying them all together. But in February 1982 Gorsuch suddenly overruled these bans, creating an open season on liquid dumping. The ensuing public outrage forced Gorsuch to reinstitute the ban just 27 days later, but she has since indicated she may lift it again in some modified version.

The liquid dumping episode pales next to the decision to overrule the Carter administration's plans to reduce the small generator loophole. Last June EPA official Rita Lavelle—a former official for Aerojet General Corporation, which has been charged with illegally dumping hazardous waste in California—told a Senate subcommittee that tightening the loophole was just the kind of onerous federal regulation the administration wanted to shift from the backs of small entrepreneurs. Lavelle also claimed the change would triple EPA enforcement costs and prove an "administrative inconvenience."

The EPA's subsequent decision to keep the loophole intact not only revealed its attitude about dumping, but bespoke a profound ignorance of how regulation works. It's not an army of EPA inspectors snooping around the backlots of service stations that will force most small generators to comply with the law. Rather, it's the mere threat of a penalty. More important, a toxic is a toxic, whether it's dumped by Dow Chemical or a small electroplating shop. That point was made quite graphically by the National Solid Waste Management Association, the primary trade group representing the firms that run America's landfills. The association vigorously opposed the EPA decision, citing hundreds of cases of garbage shipments exploding because of hazardous wastes and numerous garbagemen injured from handling them. Indeed, of the first 115 contaminated dumping sites identified by Congress for emergency cleanup, 65 were standard solid-waste facilities and municipal dumps that had been accepting untreated toxic wastes from small producers.

Along with these decisions, the EPA has repeatedly delayed implementation of proposed regulations that would make dumping safer but more expensive. The approach seems to have a certain free market logic that goes as far as forcing detoxification firms out of business. Within two weeks of the EPA's lifting of the liquid-waste ban, the IT Corporation announced it was discontinuing building high-technology detoxification systems. As New Jersey Representative James Florio notes, "Unless the administration issues meaningful dumping regulations, the same free market forces that brought us Love Canal will stifle detoxification efforts."

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That's putting it mildly; Gorsuch's policies are helping ensure that the detoxification industry will be stillborn, if indeed it ever sees the light of day. That's why some of the most vociferous critics of EPA's foot dragging and backsliding are the large chemical waste handlers who also run large dumps. Many began investing in detoxification techniques during the Carter administration—only to see Gorsuch's actions since then undermine potential markets. This February a group calling itself the Hazardous Waste Treatment Council formed and immediately began filing suits against the EPA to force it to tighten dumping regulations. Although Marvin B. Durning, the council's senior attorney, declined to provide a list of his clients, other reliable sources confirm that its membership includes ENSCO, SCA Services, and Rollins—three of the nation's largest hazardous waste handlers.

With detoxification efforts stunted, those states who want to detoxify wastes don't have many options. New York's Hazardous Waste Disposal Advisory Committee recently looked into the matter and discovered that nearly 30 percent of the state's total annual volume of waste—about 800 million pounds—could not be treated with even the most rudimentary of techniques simply because there was an acute shortage of facilities. Dumping was the only choice.

Last January, U.S. District Court Judge Gerhard A. Gesell finally lost patience with EPA's repeated requests to delay stiffer regulations on dumping. He minced few words. "What Congress directed to be done is now almost four years overdue and the EPA contemplates at least two more years of indecision and procrastination," he declared. "The agency, moreover, has ignored the court's deadline orders, offering excuse after excuse for avoiding its responsibility . . . and demonstrated that it has neither the ability nor the will to do what Congress and the court have repeatedly ordered."

It's always dismaying when a court is forced to order a government agency to obey the law. But in the case of toxic wastes, there are additional reasons for dismay. The obstacle to detoxification is not a lack of technology, nor is it cost. Over the long run detoxification is actually cheaper than watching landfills for decades and trying to clean up after the inevitable leaks and spills. Nor are EPA's professionals ignorant of the alternatives to dumping. Scientists usually avoid politics, but occasionally they show a remarkable frankness in their comments, which was certainly the case when William Sanjour, chief of the EPA's Hazardous Waste Implementation Branch, wrote to congratulate Jerry Brown on California's program. "We have known for a decade that hazardous wastes can be managed properly . . . yet we have had to watch the unfolding of one horror story after another while solutions are sought in every direction but the right one," he wrote.

But having defied the laws of Congress, the EPA now appears willing to take on the laws of nature. The United States has less than 18 years of landfill capacity left; if nothing were done at all, the increasing shortage of dumping space would ultimately give detoxification a future. But EPA feels compelled to do something about this shortage, as was revealed in a notice in the October 18, 1982 issue of *Inside EPA,* an internal agency newsletter. The notice revealed that EPA officials are considering changing existing regulations to permit toxic waste dumping in 100-year flood plains if dikes are built around the dumpsites—or if the waste handler files an emergency removal plan with the EPA. It's a terrifying vision: as the flood waters slowly rise, one can imagine the bulldozers frantically trying to remove the corroded drums of PCBs and cyanides—no doubt so they can then be dumped somewhere else. ■

13th Annual Political Book Award

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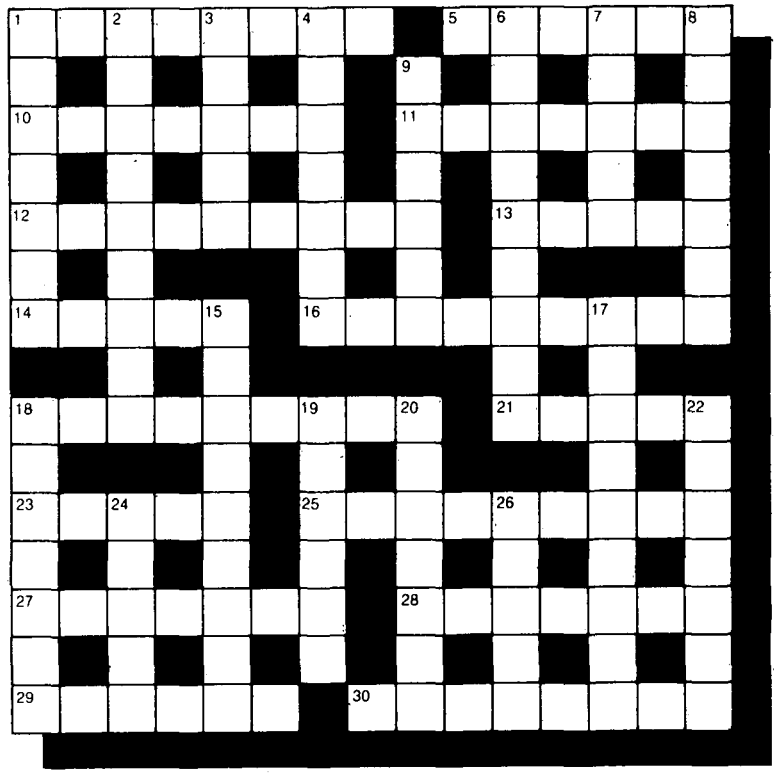
POLITICAL PUZZLE



by John Barclay

The numbers indicate the number of letters and words, e.g., (2,3) means a two-letter word followed by a three-letter word. Groups of letters, e.g., USA, are treated as one word.

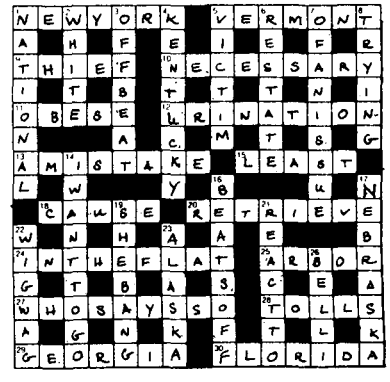
ACROSS

1. Departmental concern. (8)
5. Departmental concern. (6)
10. Activity of maids and congressmen. (7)
11. Here is the President without identification. (7)
12. Confused prude lion is stolen. (9)
13. Message from professor at Smith, *emeritus*. (5)
14. Artist of French petroleum product. (5)
16. Equity schedule removes sex distinction? (9)
18. Chaste, but struggling thou dunce! (9)
21. Relaxed without nothing to lose. (5)
23. Brush off some ornamental vegetation. (5)
25. Spoke of promotional piece in clothing. (9)
27. Coat again with pine-tar derivative. (7)
28. Bird alarm from aroused ball, etc. (3,4)
29. Departmental concern (6)
30. Departmental concern. (8)

DOWN

1. Saccharine put in dips upside down including one. (7)
2. Deviate correctly and become Reagan supporter? (4,5)
3. Greek letter around in short, large animal. (5)
4. Small firm suffers reverses handling mixed grain and natural food. (7)
6. Four-year college? (9)
7. Subservient city in the low countries. (5)
8. Strange dearths of passions. (7)
9. Cleverly passed major. (6)
15. Lurching bitten around twisted limb. (9)
17. Unusual uses at our bride's gathering. (9)
18. Delivery service drive increase. (7)
19. Other major haters organized. (6)
20. Sherlock Holmes, for example, finds French noble surrounded by bucks. (7)
22. Pen lady engaged in bridge strategy. (3,4)
24. Mixed puree of money. (5)
26. Re: tax. Change is more than enough. (5)

Answers to last month's puzzle:



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Teddy Bares All... Randy Andy's

By Jay Gourley

With strange accents and small hanger bags, they race around North America to the most unlikely places. They receive telephone calls at pay phones from distant lands at odd hours. They pound furiously on the keyboards of their computer terminals and telex machines, pause, gaze into space, then pound even more furiously. Their internal body clocks know no rhythm of day and night. If you ask them what time it is, they answer, "Where?"

America is the most important place in the world, and it is the foreign correspondent's calling to chronicle America for readers, viewers, and listeners around the globe. Little does the average American understand the special gravity of this responsibility. I speak with authority because I help shoulder it. So does my friend Malcolm Balfour.

The week before I wrote this story, Malcolm hitched a ride with some Independent Television News reporters from London. They were headed to an uninhabited Florida key for a rendezvous with Lord Luken, who disappeared eight years ago after he accidentally bashed in the skull of his babysitter. The accident was Luken's fault. He thought it was his wife's skull he was bashing in, and he should have known better. Nonetheless, he disappeared from the face of the earth and this was the first rumbling of where he might turn up.

Balfour was free for the assignment because the Pulitzer divorce in West Palm Beach had recessed for a few days. Lucky thing, too. The divorce

Jay Gourley is Washington correspondent for Bildzeitung, *the West German daily with the largest circulation in the Western world. Jutta Henning, a free-lance journalist, assisted him in researching this article.*

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ntics... The Pulitzer Trumpet...

Illustration: La Mouche

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needed the special talents of a man like Balfour to cover it. It wasn't so much Peter Pulitzer's charge that his wife was a coke-snorting lesbian. Nor was it Roxanne Pulitzer's assertion that her husband had committed incest with his 16-year-old daughter and smuggled dope. Even the big story in American locals that Jacqueline Kimberly, wife of Kleenex heir James Kimberly, had lesbian sex with Mrs. Pulitzer didn't interest editors of the world's big nationals. No. What really caught the eye of subeditors on these enormous national newspapers was the psychic angle. Seems Mrs. Pulitzer was accused not only of counting a psychic among her lesbian lovers but also of using a trumpet for an occult bedroom ritual.

Anyway, Balfour's night cruise to the deserted key didn't produce much. When Balfour and the television reporters got there, a lot of shooting broke out. The resulting pandemonium was too much for reporters even of Balfour's substance. So they jumped into the ocean, including Balfour with what was formerly $1,000 worth of camera equipment around his neck, and swam for their lives.

After buying a new suit for resumption of the Pulitzer divorce, Balfour was served with a summons. Mrs. Pulitzer was demanding $10 million in damages caused by Balfour and one of his editors, Australian press lord Rupert Murdoch, publisher of the *London Sun*, the London *News of the World*, the *London Times*, the *Australian*, and the *New York Post*, to mention just a few. Mrs. Pulitzer had been accused in hundreds of papers around the world of being a lesbian, an adulteress, a junkie, a liar, and many other things that tend to diminish the value of one's good name. Those accusations she took in stride. But Balfour's story was a different matter. So incensed was Mrs. Pulitzer over the article that appeared beneath Balfour's byline and Murdoch's "I Slept with a Trumpet" headline that she angrily concluded they had done at least $10 million damage to her reputation—over and above the damage done by all other newsmen in the world combined.

High Stakes Stories

There are, of course, foreign correspondents stationed in America who would consider a private meeting with the secretary of state to be a bigger scoop than an interview with his sex-change surgeon. These journalists, such as Robert Sole of *Le Monde*, Reginald Dale of the *Financial Times of London*, and Michael Naumann of *Die Zeit*, are capable and respected members of the foreign press corps here. But they are the first to admit that only a small fraction of foreign readers could care at all about SALT or MX missiles. They are not offended by the incontrovertible fact that the really heavy news coming out of America, the serious events that concern everyone, the "high-stakes" stories, are the ones about things like Teddy Kennedy walking nude on a public beach or John DeLorean getting collared for coke smuggling.

Thus George Bernard Shaw was flatly wrong when he said, "Newspapers are unable, seemingly, to discriminate between a bicycle accident and the collapse of civilization." In truth, our editors know quite well which is the better story.

So you won't see the heavyweights of foreign journalism loitering at the State Department, or sitting in overstuffed leather chairs in dimly lit libraries brushing up on economic theory, or interviewing congressmen or admirals. The men who actually write the contemporary history of the world can be found creeping through the jungle dodging royal security men, trying to get a glimpse of "Randy Andy," prince of England, and Koo Stark, his porno princess.

As expected of the reporters, they were truly shocked. Koo Stark and her well-built female friend were tugging off Prince Andrew's bathing suit, unfurling his Union Jack, and stripping off their own clothes. It was a heavy burden for the newsmen who had to report back that this disgusting event was committed in full view of the whole world—at least that portion of the world that had flown thousands of miles and crept through the jungle to see it.

While my colleagues were trailing Randy Andy, I had the good fortune to interview a Washington, D.C. paraplegic, paralyzed from the chest down, who was arrested for armed robbery. As far as librarians could determine, he is the world's first wheelchair stickup man. I also did several other stories of lesser world significance, like the one on rock musicians hiding Satanic messages subliminally in their hit tunes.

But even with Mrs. Pulitzer carrying on with her trumpet and Prince Andrew raising his scepter in the Caribbean, it was a pretty slow week here. The truth is that foreign reporters here are held to a higher standard. For example, it was a big story in America this spring when wire service and news magazine photographers shot President Reagan in his boxer-short-style bathing suit in the surf during his Caribbean vacation. But in Europe the

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story made hardly a ripple. For really important news from America, Europeans rely on journalists like Harry Siskind and Dudley Freeman.

Siskind, an American, is among the most cunning freelance photographers here. He's the lensman who shot Joan Kennedy carrying her own suitcases into National Airport on the heart-wrenching morning she left Ted for good. While U.S. wire services were fighting with the White House over the propriety of photos showing Reagan in his bathing suit, Siskind was crouched on the *public* beach outside Rose Kennedy's home in West Palm Beach shooting pictures of Ted Kennedy strolling along stark naked.

Freeman is a Brit now living in New York, where he is the world's most important high-stakes journalism librarian. A few days after Siskind photographed Kennedy, Freeman learned of the shots and within two hours he was winging across the Atlantic to Munich with the precious transparencies in his pocket. American editors, on the other hand, agreed that Reagan in his bathing suit was bigger news than Kennedy in his birthday suit. Not only was a Kennedy picture not run in America—no story was printed about it either.

The most frustrating part of this higher standard we must meet is that it is ever-rising. Like powerful athletes breaking their own records, the great journalists covering America may never rest on any level of achievement, no matter how high it may be. Once I telexed a few paragraphs to *Bildzeitung* in Germany about a kid in Baltimore who'd fallen seven stories and walked to the hospital. Editor Rolf Anders called me directly. "How many meters is seven stories?" he asked. "About 25," I answered. On deadline and disappointed with my answer, he exploded, "Last month a boy was falling 80 meters and walking to the hospital. In the future, I want no children in America who are falling less than 100 meters and are walking to the hospital."

This kind of merciless squeeze can breed a sense of desperation. James Gibbons of the London *Daily Mail* was branded the Faker of Fleet Street for the stories he filed from Washington in 1978. His most famous was "Beggars in Bowlers," a captivating acount of how a Washington haberdasher, trying to add a little class to Washington, imported several hundred derbies from England. Unable to sell them, he donated them to the welfare department, where they were handed out to homeless hobos. The classy headgear gave the panhandlers more self-confidence and thus created a serious law enforcement problem with the more aggressive beggars. It was quite a good story, even after discounting the fact that none of it was true.

"Some foreign correspondents still consider a private meeting with the secretary of state a bigger scoop than an interview with his sex-change surgeon."

Nor was it Gibbons's only triumph. He ingeniously reported how American insomniacs got to sleep by listening to cassette recordings of 100,000 mating bullfrogs. My favorite was Gibbons's story on the NATO conference here. While competitors were scratching for follow-up stories, Gibbons filed a detailed account of how the Secret Service had gone on full alert to prevent former President Nixon from "gate crashing" the meeting. According to Gibbons, Nixon not only intended to offer his unsolicited advice, he planned to distribute advance copies of his memoirs. It was one of Gibbons's many hot "exclusives" that put pressure on his colleagues to match him. But respect for Gibbons prevented anyone from blowing the whistle. Demands to match him were fended off with, for example, telexes saying Nixon had changed his mind.

Finally, Gibbons went too far. He reported that President Carter's advisers had settled on a plan to

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strengthen Carter's image of honesty by letting him grow a Lincolnesque beard. London journalists met at the National Press Club in Washington and voted to kill the story. With heavy hearts, they wired the truth back to London, and Gibbons's career in Washington was over.

Such stringent measures are reserved for cases involving intentional fabrication committed without concurrence of colleagues. Fabrication is not necessarily forbidden. During the years the People's Republic of China was closed to all Western correspondents, the free-world reporters assigned to cover it from Hong Kong could do little more than hold meetings at which the major events in China were invented. "Exclusives" were fairly divided and limits established on things like casualty figures for the natural disasters that were mapped out on tables in the Hong Kong foreign press club and that now compose the modern history of China.

"Covering" the U.S. is trickier. Recently, *Welt am Sonntag*, a West German publication, ran an exclusive and now-famous interview with Ronald Reagan titled "*So regiere ich,*" or "This Is How I Rule." Unfortunately, it involved no correspondents actually in America. Editors in Hamburg bought rights from *The New York Times* to a November 1981 Westinghouse Broadcasting interview with Reagan. Then, they sprinkled in quotes from other old Reagan speeches. The concept was sound. But an inexperienced editor sitting in Hamburg had no way of foreseeing the backlash from the quote, retranslated here, that "Israel remains our only reliable ally in the Near East." Coming in the middle of the Arab/AWACS controversy, Reagan deputy press secretary Larry Speakes denounced the interview before the ink was dry.

But what was done in Hong Kong and Hamburg won't work in America. Not only do the foreign editors demand more and more outlandish news from this continent, but they normally add a requirement that the stories be accurate.

Moreover, there are formidable cultural biases that the American correspondent must bridge. French editors, for example, simply cannot understand any story that even remotely relies on a presumption that someone not of French descent is intellectually newsworthy.

The world-renowned David Burk once tried to tell German editors about Canadian experts losing control of a one-square-mile forest fire that was set as an experiment but was then raging over much of British Columbia. It turned out to be one of those stories that can never be explained to a person of German persuasion. If the scientists were experts, then the fire could not be truly out of control. On the other hand, if they were not truly experts, there could not have been officially sanctioned experiments that involved setting fire to a forest.

I had the same problem with German editor Anders, the one who wanted no children falling less than 100 meters. One of my biggest exclusives was a discovery in New Jersey of the world's first turkey-baster baby. An unmarried couple there wanted to conceive, but they were mindful of propriety. So, rather than engage in more conventional but less wholesome methods, he provided her the raw material she needed to conceive, and she administered it using an ordinary turkey baster. For days, I explained it to Anders. Each explanation was followed by his declaration that a turkey baster was a kitchen tool and that artificial insemination was medical work. I finally overcame the problem by explaining to Anders that it was "like in Texas." Even Germans forgo rational standards in deference to the Lone Star state.

On the other hand, having editors an ocean away has its advantages; for instance, we suffer none of the restrictive standards inflicted on reporters who work within the communities where their publishers live. Take the case of English actress Sarah Miles's business manager, David Whiting, who died in Gila Bend, Arizona, where Miles and Burt Reynolds were shooting "The Man Who Loved Cat Dancing." Mysterious circumstances surrounding the death beckoned the world-class reporters in America. The judge, who was also the town plumber, at first resented the intrusion. He had a small courtroom, and the day before the inquest, the priority of admission was established. First, the public of Gila Bend. Next, the local press. And, "If there is any space remaining, which I doubt, the national and international press will be admitted." Thus was the ruling of the Honorable Judge Mulford "Sonny" Windsor IV. Fortunately, for the Brits at least, the *London Daily Mail* correspondent had the nicest new set of legs in Gila Bend since Hollywood had arrived. At the behest of her colleagues, she paid the judge a visit that evening, and the next day he announced the new priorities. First, the British press. Next, the public of Gila Bend. After that, the rest of the press. (In fairness to Judge Windsor, she reports he neither demanded nor received judicial relief.)

Also, since there is less pressure for matching—that is, reporting exactly what competitors

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report—there is correspondingly more charity for honest mistakes. No one raised the slightest objection when the legendary Phil Finn, American correspondent for the *London Daily Express*, scooped the world on the bloody revolution following tyrant Papa Doc Duvalier's death in Haiti. Handed a note at the funeral services of *London Daily Mail* correspondent Malcolm Keough, he left his competitors mourning at the church, raced to the airport, and caught the last flight to Haiti. Finn arrived in Port-au-Prince less than one hour before final deadline in London. A well-paid cab driver raced 80 miles an hour past the presidential palace and the public market at Finn's request on the way to the Hotel Oloffson, where he arrived only minutes before deadline.

Paragraph by paragraph, Finn dictated his stirring account of war clouds forming over the island nation . . . of growing fear before the battle . . . of anti-aircraft guns around the presidential palace tensely aimed skyward in preparation for the rebel attack. The next morning, every national daily in the world sent men racing to the new war.

Unfortunately, the rebel attack never came. But that was not Finn's fault. How could he have known that the market was closed and the anti-aircraft guns were ornaments were plugged by cement?

So the liberties foreign correspondents enjoy here outweigh annoyances like nuisance suits, less-than-cosmopolitan editors, and occasional small-arms fire. Moreover, we make a good living. We meet new and interesting people every day. And we are rarely forced into serious work. By and large, the correspondents in America are the envy of the rest of journalism. We enjoy latitude not afforded less fortunate reporters closer to home whose daily actions reflect more closely on the good name of their publisher.

It's not that foreign correspondents are different—just the rules they play by are. If some scientists say they have successfully crossbred a chimpanzee to a human, and some other scientists say this is nonsense, then, in America, the rules of fair journalism demand that both viewpoints appear side by side in the same story. Or, if the issue is too confusing, the rules demand that the story be killed. Most foreign editors are more relaxed in their standard of objectivity, even though they would insist on strict accuracy. Most likely, the chimpanzee crossbreeding story would be played for a few days. Then, the debunking story confirming the purity of the human race would follow—space permitting. ■

THE WASHINGTON MONTHLY

Journalism Award

for October 1982 is presented to

Walter Isaacson
Evan Thomas
Time

The rising influence of political action committees on Congress is widely reported. What distinguishes "Running with the PACs" is its careful tracing of how PAC contributions translate into support for various special interest bills.

Editors and Staff
Newsweek

This special report, titled "Jobs: How to Get America Back to Work", goes beyond the plight of today's unemployed to examine far-reaching changes affecting the nation's economy. The editors conclude by offering a series of direct and sensible solutions for reviving the economy.

The Washington Monthly wishes to recognize the writers and publishers who share our purpose of trying to describe how the political system really works, to determine why it succeeds, and why it fails, and to suggest ways in which it might be improved.

The **Monthly Journalism Award** is presented each month to the best newspaper or magazine article (or series of articles) on our political system. Nominations from any newspaper or magazine in the country are welcome. The subject can be government in its federal, state, or municipal manifestation.

The award for articles published in December will be announced in the March issue. Nominations will close January 15. Nominations should be accompanied by two copies of the article or articles.

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Paul C. Warnke
ON POLITICAL BOOKS

In announcing his decision to produce the MX and deploy it in a series of closely based silos, President Reagan stated that: "It is sadly ironic that in these modern times it still takes weapons to prevent war." Thomas Powers, in this gripping and deeply troubling set of essays,* asks whether the kinds of nuclear war-fighting weapons we are now developing can in fact help prevent nuclear war. If we insist on preparing to fight a nuclear war, he cautions, we may find ourselves fighting the war no one can win. Mr. Powers sets his thesis with an introductory quote from William Graham Sumner:

"A wiser rule would be to make up your mind soberly, peace or war, and then to get ready for what you want; for what we prepare for is what we shall get."

The argument about the utility of nuclear weapons is, of course, as old as the weapons themselves. As Mr. Powers points out, much of the national security community holds the view that nuclear weapons make us safe. Eugene Rostow, director of the United States Arms Control and Disarmament Agency, said in a recent speech that our nuclear weapons are "the rock on which the renaissance of the West since 1945 was based and the foundation for its security." As some appear to see it, the more nuclear weapons we have the more the years of peace to which we may look forward. The argument against a "no first use" policy is at heart an argument that we can't do without nuclear weapons. Phyllis Schlafly states the position perhaps most baldly. To her, "the atomic bomb is a marvelous gift given to our country by a wise God."

In these essays and in a brilliant synthesis of his views in the November issue of *The Atlantic* entitled "Choosing a Strategy for World War III", Powers asks whether the kinds of nuclear weapons that are being accumulated by both the Soviet Union and the United States are leading to changes in strategic policy that make the use of these weapons ever more likely. As he sees it, the absolute theory of deterrence—that nuclear war is rendered impossible because of the reciprocal retaliatory capabilities that would devastate the attacker—is yielding to the theory that deterrence requires the ability to fight a limited and protracted nuclear war.

As he points out, this subtle but drastic change in strategic doctrine is not the invention of the Reagan Administration. Presidential Directive 59, made public by the Carter Administration in the heat of the presidential campaign of 1980, switched the focus from mutual assured destruction (characterized by its critics as the pejorative acronym "MAD") to the concept that nuclear weapons are just "one more item in the military inventory" and can be used selectively to destroy prized military and command and control facilities.

Powers ascribes the shift in nuclear strategy to the historic phenomenon that weapons come to control policy. The fact that nuclear missile warheads have become more accurate because of more sophisticated guidance systems has brought into ascendancy those strategic planners who have always regarded nuclear weapons as just another and better type of armament. This view suggests that arms control can be pursued only as an ancillary means of achieving the essential strategic superiority.

Soviet strategic analysts may well read such an objective into the proposals advanced by the Reagan Administration in the two sets of strategic arms talks: those dealing with the intermediate range nuclear forces (INF) that can destroy targets in Western and Eastern Europe, but not the United States; and the START talks dealing with intercontinental and submarine-launched systems. The INF talks would eliminate all Soviet medium-range ballistic missiles, but not the nuclear forces of France and the United Kingdom, or American warheads on ballistic missile submarines assigned to NATO and on our nuclear capable aircraft.

We cannot, however, seriously expect to gain strategic nuclear superiority at the bargaining table. Agreements to limit and reduce nuclear

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* *Thinking About the Next War.* Thomas Powers. Knopf. $10.95.

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arms can be achieved, but only if they are of benefit to both sides. No strategic arms agreement could endure, even if it could somehow be negotiated, if it were to leave either side at a significant strategic disadvantage.

Nor is there any reason to hope that the strategic edge that would enable either superpower to fight, survive and win a nuclear war can be achieved through an unlimited nuclear arms race. Both the United States and the Soviet Union have the technology and the resources to keep up with one another, however badly this may affect each country's domestic well-being. As with the development of the hydrogen bomb and the equipping of missiles with multiple independently targetable re-entry vehicles (MIRVs), any significant development will be matched, the result being a decrease in the security of both sides.

Powers' grim forecast of even worse things to come is fully justified by a lot of indications that our *nuclear* policy is, at best, an *unclear* policy. Do we really want to control nuclear arms or do we want to try to win an arms race ? The signals are confusing, but the latest weapons decisions indicate that the advocates of a nuclear war-fighting capability are taking charge. In a recent letter to influential newspapers seeking to rebut press reports of U.S. plans for limited and protracted nuclear war, Secretary of Defense Caspar Weinberger says that there has been no change from the deterrent doctrine and that he recognizes there can be "no winners" in a nuclear war. As for Soviet doctrine, however, he states: "Whatever they claim their intentions to be, the fact remains that they are designing their weapons in such a way and in sufficient numbers to indicate to us that they think they can begin, and win, a nuclear war." The implicit assumption appears to be that, although *we* know that a nuclear war can't be won, we don't know that *the Soviets* know this and we, therefore, have to act as though we didn't know it either.

For example, the secretary of defense's annual report to Congress for fiscal 1983 states that the need to replace and expand our strategic forces "permitted us to shape our strategic nuclear force as a coherent instrument responsive to national policy and to eliminate some dangerous contradictions between the capabilities of our nuclear forces and the objectives of our policy." As a consequence, the secretary of defense's report continues: "We recognized that, for the foreseeable future, our nuclear forces *had* to serve *at least* the following four purposes: (1) to deter nuclear attack on the United States or its allies; (2) to help deter major conventional attack against U.S. forces and our allies, especially in NATO; (3) *to impose termination of a major war—on terms favorable to the United States and our allies—even if nuclear weapons have been used—and in particular to deter escalation in the level of hostilities;* and (4) to negate possible Soviet nuclear blackmail against the United States or our allies." (Annual Report of Secretary of Defense, 1983, page I-18. Emphasis added.)

Somewhat more expansively, the Defense Department Guidance 1984-88, leaked to *The New York Times* last spring, set forth the strategy that "should deterrence fail and strategic nuclear war with the USSR occur, the United States must prevail and be able to force the Soviet Union to seek earliest termination of hostilities on terms favorable to the United States."

Another signal as to our strategic nuclear policy—one which must chill any Soviet analyst considering whether the United States might contemplate a pre-emptive nuclear strike on the Soviet Union at a time of crisis—appears in a recent article in *Air Force Magazine.* The secretary of the Air Force, Verne Orr, writes that "Today in the ballistic missile age of nuclear weaponry and in the absence of an effective ABM system the 'only' defense against nuclear attack is a strong offense." And, of course, General Secretary Yuri Andropov and his colleagues will be familiar with the article co-authored by Colin Gray in *Foreign Policy* a couple of years ago, arguing that the United States must be able to wage nuclear war rationally in order to achieve its foreign policy objectives. Mr. Gray, who is now a member of the President's General Advisory Committee on Arms Control, has also said that the loss of 20 million American lives in a nuclear war is an acceptable price for creating "a post-war world order compatible with western values."

Perhaps these statements don't really show adoption of a nuclear war-fighting strategy. Just as Presidential Directive 59 was rationalized by then-Secretary of Defense Harold Brown not as a change in policy, but only as an "evolutionary development" in deterrence thinking, these Reagan-era statements have been officially discounted. But when accompanied by approval of weapons that can threaten the survival of the opposing side's retaliatory forces, they must be expected to influence Russian thinking toward adoption of a strategy of launch-on-warning.

The question of what strategic nuclear policy we will follow transcends any debate about the pros and cons of a negotiated freeze on the production, testing and deployment of nuclear weapons or of any other measure of effective nuclear arms con-

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trol. It appears that we have not yet decided that we really want to control nuclear weapons. And until we do so, our arms control efforts will be largely a charade designed to dampen dissension about the strategic arms program.

From my own experience, I am convinced that we can make significant progress toward a more stable strategic balance with fewer and less dangerous types of nuclear weapons. But we can do so only if we decide that nuclear weapons can serve merely the limited but vital purpose of preventing the other side from using theirs or making a plausible threat of such use. If we have any more ambitious plans for our nuclear weaponry, then nuclear arms control is an illusion. Powers observes: "But perhaps most important of all, negotiations provide hope of a way out. The hope may be far-fetched or illusory, but it's better than dreaming of simpler times, or standing still waiting for nothing to happen forever."

The alternatives are as clear as our policy is unclear. The nuclear stalemate can be preserved at lower levels through negotiated agreements, or more sophisticated weapons will be built and create a graver risk of nuclear war started by accident or through panic. Either deterrence will continue and be improved through restraint and reduction, or we will decide that with the "right kind" of weapons we can prevail through their measured use in a limited nuclear war.

Current policy statements suggest to me that we don't know where we're going, but we are certainly not headed in the right direction. The Administration has said that it will not, for the present, pursue the talks with the Soviet Union and the United Kingdom about a comprehensive test ban. Rostow told the United Nations that "international conditions are not now propitious for this worthy project." This disregards our commitment in the Limited Test Ban Treaty of 1963 to negotiate "the discontinuance of all test explosions of nuclear weapons for all time." And our unselective enthusiasm for all new types of strategic nuclear weaponry obviously limits our willingness to put on the bargaining table those weapons systems that concern the Soviets most. I believe that if we were more willing, the Soviets in turn would be more willing to accept restrictions on those Soviet systems which are of greatest worry to us.

It is essential that these nuclear war-fighting strategic systems be recognized for what they are. The Reagan Administration has chosen to rechristen the MX as the "Peacekeeper." But this, like previous sugar-coated euphemisms, can't hide the bitter reality. What are being proposed as the "Peacekeeper" and "revenue enhancement" can still be recognized as that sure old duo: Death and Taxes. ■

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POLITICAL BOOKNOTES

Clear Understandings. *Ronald Goldfarb, James Raymond. Random House, $8.95.*

Eugene V. Debs: Citizen and Socialist. *Nick Salvatore. Univ. of Illinois, $24.95.* A comprehensive and readable biography of America's premier socialist. Of particular interest is Salvatore's account of the intense rivalry for control of the burgeoning U.S. labor movement between Debs—an earnest but impractical idealist who exhausted himself during presidential campaigns by trying to sleep on his feet rather than take a berth in a Pullman sleeping car—and the more calculating Samuel Gompers. Gompers was unwilling to risk his own power to join Debs during the 1895 Pullman strike; its subsequent failure landed Debs in jail and set the labor movement back many years.

—William Wilcox

FEDfind: Your Key to Finding Federal Government Information. *Richard D'Aleo. ICUC Press, $9.95.*

F.D.R.: An Intimate History. *Nathan Miller. Doubleday, $22.50.*

How Life Insurance Companies Rob You And What You Can Do About It. *Walter S. Kenton. Random House, $13.95.* This book justifies your worst fears about life insurance. Kenton, himself a successful salesman (he detests the word "agent" because it makes the profession seem more honorable than it is) describes the various gimmicks his ilk employ to cheat their customers while earning hefty commissions. His suggestion for beating the con if one still insists on buying life insurance? Buy renewable-term insurance—if you can find someone who will sell it to you.

—W. W.

Is the U.S. True to Its Friends: A View From the Former Ambassador of Free China. *James Shen. Acropolis, $14.95.*

The Last Hero: Wild Bill Donovan. *Anthony Cave Brown. Times Books, $19.95.*

The Left, The Right, and The Jews. *W.D. Rubinstein. Universe Books, $18.20.*

Life and Death on the Corporate Battlefield. *Paul Soloman, Thomas Friedman. Simon & Schuster, $13.95.* Another of the good books that have recently appeared that try to go beyond the traditional cliches about big business. The authors show how large corporations are not always powerful or even smart; particularly revealing is the account of how a small competitor used Proctor & Gamble's size to outfox it.

—Phil Keisling

Lost Honor. *John Dean. Stratford Press, $15.95.* Disjointed and rambling, this story of the author's life after prison is not nearly the book *Blind Ambition* was. Still, for Watergate aficionados, there are more than enough morsels to make it recommended reading. The author abandons David Gergen as his candidate for Deep Throat in favor of Alexander Haig, and his reasons for doing so are reasonably persuasive. He just about nails down the case first made by Marjorie Boyd in these pages that Gerald Ford committed perjury to conceal his role in preventing a Congressional investigation of Watergate before the 1972 election. And he shows how Howard Baker and his minority counsel Fred Thompson served Nixon's interests during the Ervin committee hearings by trying to divert attention from the White House to the CIA.

—Charles Peters

Megatrends. *John Naisbitt. Warner Books, $15.50.* This best-seller reads like a book-length *USA Today*. Some of the message is painfully obvious (exercise is in), and some of questionable prescience (can America really survive by "buying Computer Software Inc., selling U.S. Steel?") Naisbitt fails to acknowledge the genuine dangers of too complete a shift from an industrial to an information/service sector economy; the prospect of blackmail by foreign manufacturers, for instance, cannot be discounted.

But hidden amid banalities are enough eye-opening nuggets and observations to keep the pages turning in this relentlessly optimistic look at the future.

—Ronald Brownstein

PACs Americana. *Edward Roeder. Sunshine Services, $200.* This weighty volume lists the political inclinations, economic interests, and treasurers for each of the more than 3,000 political action committees in America. What it doesn't give—no doubt because this would require an additional dozen volumes—are the specific beneficiaries and contributors for each PAC. So while the hard-core politico may find it interesting to know that the American Tunaboat Association Political Action Committee gave $1,200 to Democrats in 1980, one strongly suspects that the only people who'll be interested in making this $200 investment are candidates seeking a handy guide for soliciting contributions.

—Teresa Riordan

The Music of The Laws. *Daniel Kornstein. Everest House, $14.95.*

The 1980 Census: Policymaking Amid Turbulence. *Ian Mitroff, Richard Mason, Vincent Barabba. Lexington, $29.95.*

The Partners: Inside America's Most Powerful Law Firms. *James B. Stewart. Simon and Schuster, $16.95.* An extraordinary reporting job that unfortunately suffers from an excess of detail. Stewart amply demonstrates the power and influence of the nation's leading law

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firms; for example. when Reagan's new anti-trust chief, William Baxter, asked to be briefed on the IBM case, he didn't call on the government's own attorneys, but on IBM's counsel, Thomas Barr of Cravath, Swaine, and Moore. Yet for all the moments of high-stakes legal drama, what's most revealing about this intimate look at the nation's super-firms is how banal and uninteresting so much of their work really is.

—*P.K.*

Powering Civilization: The Complete Energy Reader. *James Ridgeway, ed. Pantheon, $12.95/$22.50.*

The Presidency and Public Policy: The Four Arenas of Political Power. *Robert J. Spitzer. Univ. of Alabama Press, $20.*

The Reflective Practitioner: How Professionals Think in Action. *Donald A. Schon. Basic Books, $19.95.*

Social Justice and Public Policy. *A.B. Atkinson. MIT Press, $37.50.*

Sunday Best 2: The Observer. *Donald Thelford, ed. Victor Gollancz/David & Charles, $17.50.*

Tax Free. *Mark Skousen. S & S, $12.95.*

U.S. Defense Planning: A Critique. *John M. Collins. Westview Press, $30/$11.95.*

Without Precedent: The Story of the Death of McCarthyism. *John G. Adams. Norton, $16.95.*

Working Together. *John Simmons, William J. Mares. Knopf, $15.*

(continued from "Tilting at Windmills," page 11)

"The evidence that the major—although certainly not the exclusive—thrust of the current generation is toward extreme egotistical individualism is abundant. But the shift in values is not absolute. In all eras—and in most individuals—selfishness and compassion co-exist. It is the mix of the two that varies. There is a tendency for the former to be more prevalent among the affluent, particularly if they are still on the rise or their positions are threatened. . .

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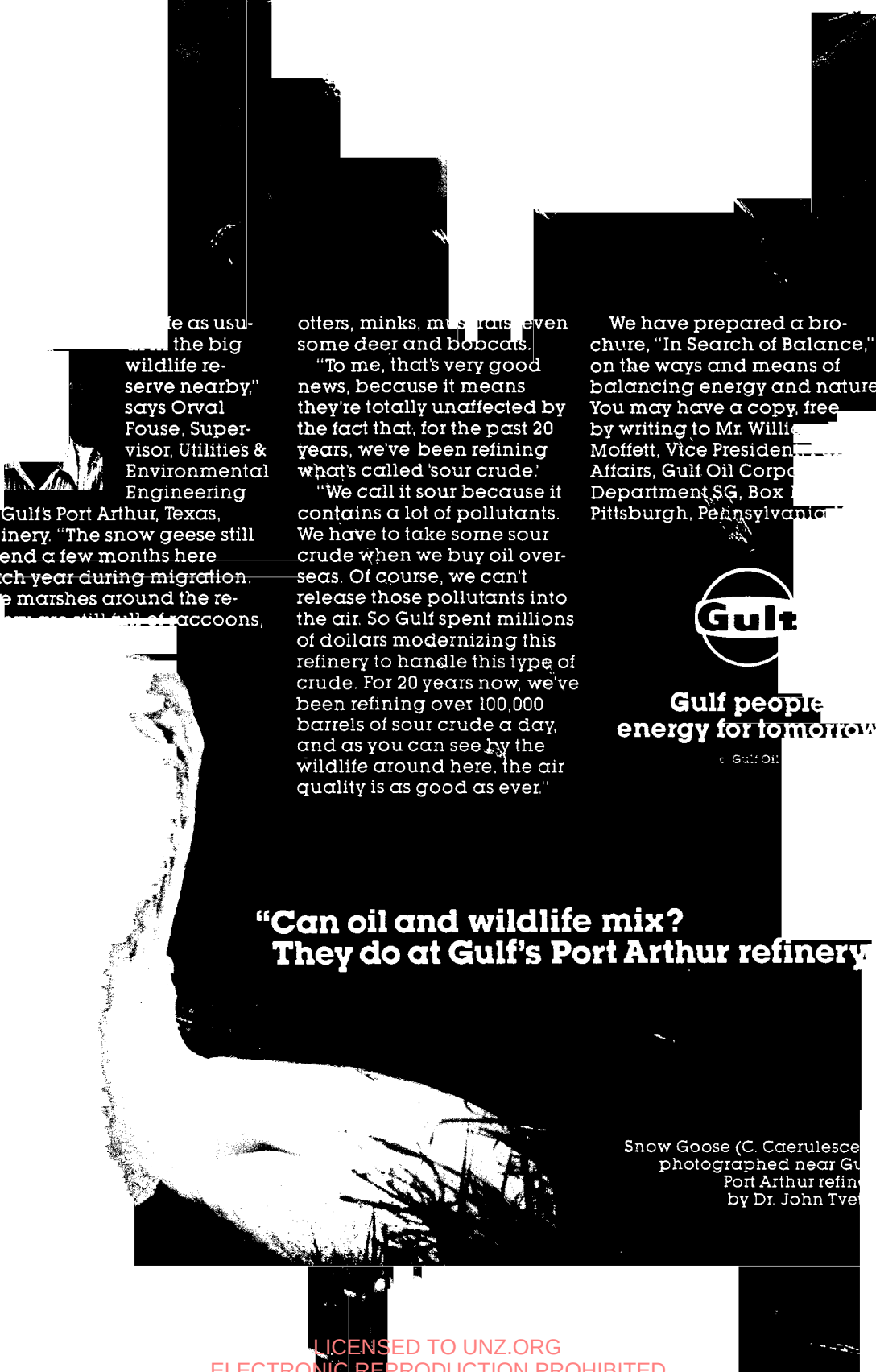

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